SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE TO

Tender Offer Statement under Section 14(d)(1) or 13(e)(1)
of the Securities Exchange Act of 1934

LITTON INDUSTRIES, INC.

(Name of Subject Company (issuer))

NORTHROP GRUMMAN CORPORATION
LII ACQUISITION CORP.

(Name of Filing Persons (offeror))

Common Stock, Par Value $1.00 Per Share
(including associated rights)
(Title of Class of Securities)

5380211061
(CUSIP Number of Class of Securities)

Series B $2 Cumulative Preferred Stock, Par Value $5.00 Per Share

(Title of Class of Securities)

5380214032

(CUSIP Number of Class of Securities)

W. Burks Terry
Corporate Vice President and General Counsel
Northrop Grumman Corporation
1840 Century Park East
Los Angeles, California 90067
(310) 553-6262

(Name, Address and Telephone Number of Person Authorized to Receive Notices
and Communications on Behalf of the Person(s) Filing Statement)

Copy to:

Andrew E. Bogen
Gibson, Dunn & Crutcher, LLP
333 South Grand Avenue
Los Angeles, California 90071-3197
(213) 229-7159

CALCULATION OF FILING FEE

Transaction Valuation*	Amount of Filing Fee
$ 3,839,095,546	$ 767,819.11

* Estimated for purposes of calculating the amount of the filing fee only. This calculation assumes (a) the purchase of all of the issued and outstanding shares of common stock, par value $1.00 per share (the "Common Stock") of Litton Industries, Inc., a Delaware corporation (the "Company"), together with any associated rights to purchase preferred stock of the Company (the "Rights" and, together with the Common Stock, the "Common Shares") at a price per Common Share of $80.00 in cash and (b) the purchase of all of the issued and outstanding shares of Series B $2 Cumulative Preferred Stock, par value $5.00 per share (the "Preferred Shares"), of the Company at a price per Preferred Share of $35.00 in cash. As of December 31, 2000, based on the Company's representation of its capitalization, there were (i) 45,577,834 Common Shares outstanding (excluding 2,734,083 Common Shares held in the Company's treasury), (ii) approximately 5,137,149 vested options to purchase Common Shares that are expected to be outstanding prior to the Effective Time of the Merger (as defined herein), the exercise price(s) of which is less than $80.00, (iii) approximately 168,786 shares of performance-based restricted stock units and deferred stock units (the "Restricted Stock") and (iv) 410,643 Preferred Shares outstanding. The amount of the filing fee, calculated in accordance with Rule 0-11 of the Securities Exchange Act of 1934, equals 1/50th of one percent of the value of the Common Shares, Preferred Shares and Restricted Stock proposed to be acquired.

[ ] Check the box if any part of the fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

Amount Previously Paid:	Not applicable.	Filing Party:	Not applicable.
Form or Registration No.:	Not applicable.	Date Filed:	Not applicable.

[ ] Check the box if the filing relates solely to preliminary communications made before the commencement of a tender offer.

[ ] Check the appropriate boxes to designate any transactions to which this statement relates:

[X] third party tender offer subject to Rule 14d-1

[ ] going-private transaction subject to Rule 13e-3

[ ] issuer tender offer subject to Rule 13e-4

[ ] amendment to Schedule 13D under Rule 13d-2

Check the following box if the filing is a final amendment reporting the results of the tender offer. [ ]

This Tender Offer Statement on Schedule TO is filed by Northrop Grumman Corporation, a Delaware corporation ("Parent"), and LII Acquisition Corp., a Delaware corporation ("Purchaser") and wholly owned subsidiary of Parent. This statement relates to the tender offer (the "Offer") by Purchaser to purchase (a) all of the issued and outstanding shares of common stock, par value $1.00 per share (the "Common Stock") of Litton Industries, Inc., a Delaware corporation (the "Company"), together with any associated rights to purchase preferred stock of the Company (the "Rights," and, together with the Common Stock, the "Common Shares") at a price per Common Share of $80.00 (the "Common Offer Price") and (b) all of the outstanding shares of Series B $2 Cumulative Preferred Stock, par value $5.00 per share (the "Preferred Shares"), of the Company at a price per Preferred Share of $35.00 (the "Preferred Offer Price" and, together with the Common Offer Price, the "Offer Price"), in each case, net to the seller in cash, without interest, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated January 5, 2001 (the "Offer to Purchase") and in the related Letter of Transmittal (the "Letter of Transmittal" which, together with the Offer to Purchase, as each may be amended or supplemented from time to time, collectively constitute the "Offer"), copies of which are attached as Exhibit (a)(1)(i) and (a)(1)(ii), respectively.

Items 1 through 11.

As permitted by General Instruction F to Schedule TO, the information set forth in the entire Offer to Purchase (including Schedules I and II attached), is incorporated by reference into this Tender Offer Statement on Schedule TO.

Item 12. Exhibits.

(a)(1)(i) Offer to Purchase, dated January 5, 2001.

(a)(1)(ii) Letter of Transmittal, Common Stock and Preferred Stock, each dated January 5, 2001.

(a)(1)(iii) Notice of Guaranteed Delivery, Common Stock and Preferred Stock, each dated January 5, 2001.

(a)(2) None.

(a)(3) Not applicable.

(a)(4) Not applicable.

(a)(5)(i) Letter to Brokers, Dealers, Commercial Banks, Trust Companies and other Nominees, Common Stock and Preferred Stock, dated January 5, 2001.

(a)(5)(ii) Letter to Clients, Common Stock and Preferred Stock, each dated January 5, 2001.

(a)(5)(iii) Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9.

(a)(5)(iv) Press release issued by Parent on December 21, 2000 (incorporated by reference to Schedule TO-C filed with the Securities and Exchange Commission on December 22, 2000).

(a)(5)(v) Summary Advertisement as published in the Wall Street Journal on January 5, 2001.

(b)(i) Financing Commitment Letter dated December 20, 2000 from Credit Suisse First Boston and The Chase Manhattan Bank relating to $6,000,000,000 aggregate principal amount of senior credit facilities.

(c) Not applicable.

(d)(1) Merger Agreement, dated as of December 21, 2000, by and among Parent, Purchaser and the Company.

(d)(2) Confidentiality Agreement dated June 23, 2000, between Parent and the Company.

(d)(3) Letter Agreement dated December 21, 2000, between Ronald D. Sugar and Parent.

(e) Not applicable.

(f) Section 262 of the Delaware General Corporation Law (included as Schedule II to the Offer to Purchase).

(g) None.

(h) None.

Item 13. Information Required by Schedule 13E-3.

Not Applicable.

SIGNATURE

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

LII ACQUISITION CORP.

By: /s/ Albert F. Myers

Name: Albert F. Myers

Title: President

NORTHROP GRUMMAN CORPORATION

By: /s/ Albert F. Myers

Name: Albert F. Myers

Title: Corporate Vice President and Treasurer

Dated: January 5, 2001

EXHIBIT INDEX

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(a)(1)(ii)	Letter of Transmittal, Common Stock and Preferred Stock, each dated January 5, 2001.
(a)(1)(iii)	Notice of Guaranteed Delivery, Common Stock and Preferred Stock, each dated January 5, 2001.
(a)(2)	None.
(a)(3)	Not applicable.
(a)(4)	Not applicable.
(a)(5)(i)	Letter to Brokers, Dealers, Commercial Banks, Trust Companies and other Nominees, Common Stock and Preferred Stock, dated January 5, 2001.
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(b)(i)	Financing Commitment Letter dated December 20, 2000 from Credit Suisse First Boston and The Chase Manhattan Bank relating to $6,000,000,000 aggregate principal amount of senior credit facilities.
(c)	Not applicable.
(d)(1)	Merger Agreement, dated as of December 21, 2000, by and among Parent, Purchaser and the Company.
(d)(2)	Confidentiality Agreement dated June 23, 2000, between Parent and the Company.
(d)(3)	Letter Agreement dated Decmeber 21, 2000, between Ronald D. Sugar and Parent.
(e)	Not applicable.
(f)	Section 262 of the Delaware General Corporation Law (included as Schedule II to the Offer to Purchase).
(g)	None.
(h)	None.

EXHIBIT 99.(a)(1)(i)

Offer to Purchase for Cash

All Outstanding Shares of Common Stock
(together with associated rights)

of

LITTON INDUSTRIES, INC.

at

$80.00 NET PER SHARE

and

All Outstanding Shares of Series B $2 Cumulative Preferred Stock

of

LITTON INDUSTRIES, INC.

at

$35.00 NET PER SHARE

by

LII ACQUISITION CORP.
a wholly owned subsidiary of
NORTHROP GRUMMAN CORPORATION

THE OFFER (AS DEFINED HEREIN) AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON FRIDAY, FEBRUARY 2, 2001 UNLESS THE OFFER IS EXTENDED.

This Offer is being made pursuant to the Agreement and Plan of Merger, dated as of December 21, 2000 (the "Merger Agreement"), among Northrop Grumman Corporation ("Parent"), LII Acquisition Corp. ("Purchaser") and Litton Industries, Inc. (the "Company"). The Board of Directors of the Company (the "Company Board") has unanimously approved the Merger Agreement, the Offer and the Merger (each as defined herein), and unanimously recommends that holders of Common Shares (as defined herein) accept the Offer and tender their Common Shares pursuant to the Offer. The Company Board makes no recommendation with respect to the tender of Preferred Shares (as defined herein).

The Offer is conditioned upon, among other things, (i) there being validly tendered and not withdrawn prior to the expiration of the Offer a total of at least 25,562,006 Common Shares and Preferred Shares, which represents a majority of the total outstanding Common Shares and Preferred Shares on a fully-diluted basis (the "Minimum Tender Condition") and (ii) the expiration or termination of any applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), and, to the extent required, the approval of the Merger by the Commission of the European Union under Council Regulation (EEC) No. 4064/89 of the Council of the European Union.

IMPORTANT

Any stockholder wishing to tender all or any portion of its shares of common stock, par value $1.00 per share (together with the associated rights to purchase preferred stock of the Company pursuant to the Rights Agreement dated as of August 17, 1994 between the Company and The Bank of New York, the "Common Shares") or its shares of Series B $2 Cumulative Preferred Stock, par value $5.00 per share (the "Preferred Shares") in the Offer should either: (i) complete and sign the Letter of Transmittal (or a facsimile thereof) in accordance with the instructions in the Letter of Transmittal and mail or deliver the Letter of Transmittal and all other required documents to the Depositary (as defined herein) together with certificates representing the Common Shares and Preferred Shares tendered; (ii) follow the procedure for book-entry transfer set forth in Section 3 of this Offer to Purchase entitled "Procedures for Accepting the Offer and Tendering Common Shares and Preferred Shares;" or (iii) request such stockholder's broker, dealer, commercial bank, trust company or other nominee to effect the transaction for the stockholder. A stockholder having Common Shares or Preferred Shares registered in the name of a broker, dealer, commercial bank, trust company, or other nominee must contact such person if they desire to tender such Common Shares or Preferred Shares.

Any stockholder who wishes to tender Common Shares or Preferred Shares and cannot deliver certificates representing such Common Shares or Preferred Shares and all other required documents to the Depositary on or prior to the date on which the Offer expires or who cannot comply with the procedures for

book-entry transfer on a timely basis may tender such Common Shares or Preferred Shares pursuant to the guaranteed delivery procedure set forth in Section 3 of this Offer to Purchase entitled "Procedures for Accepting the Offer and Tendering Common Shares and Preferred Shares." Questions and requests for assistance may be directed to the Information Agent or the Dealer Manager at their respective addresses and telephone numbers set forth below. Additional copies of this Offer to Purchase, the Letter of Transmittal, the Notice of Guaranteed Delivery and other related materials may be obtained from the Information Agent or the Dealer Manager. Stockholders may also contact their broker, dealer, commercial bank, trust company or other nominee.

The Dealer Manager for the Offer is:

[LOGO FOR SALOMON SMITH BARNEY]

The date of this Offer to Purchase is January 5, 2001.

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SUMMARY

The following is a summary of some of the key terms of this offer to purchase all of the outstanding Common Shares and Preferred Shares. We urge you to read carefully the remainder of this offer to purchase and the accompanying letter of transmittal because the information in this Summary is not complete. Additional important information is contained in the remainder of this offer to purchase and the letter of transmittal.

- The Purchaser.

The Purchaser referred to in this offer is LII Acquisition Corp., a Delaware corporation formed for the purpose of making this tender offer and the merger described herein. We are a wholly owned subsidiary of Northrop Grumman Corporation, a Delaware corporation. See Section 9 of this offer to purchase--"Certain Information Concerning Parent and Purchaser."

- Classes and Amounts of Shares Sought.

We are seeking to purchase all of the outstanding Common Shares and all of the outstanding Preferred Shares. See "Introduction" and Section 1 of this offer to purchase--"Terms of the Offer."

- Offer Prices; Fees and Commissions.

We are offering to pay $80.00 per Common Share and $35.00 per Preferred Share, net to you in cash, less any required withholding of taxes and without the payment of interest. If you are the record owner of your shares and you tender your shares to us in the offer, you will not have to pay brokerage fees or similar expenses. If you own your shares through a broker or other nominee, and your broker tenders your shares on your behalf, your broker or nominee may charge you a fee for doing so. You should consult your broker or nominee to determine whether any charges will apply. We will not be obligated to pay for or reimburse you for such broker or nominee charges. See the "Introduction" Section to this offer to purchase. In addition, if you do not complete and sign the Substitute Form W-9 included in the letter of transmittal, you may be subject to required backup federal income tax withholding. See Instruction 9 to the letter of transmittal.

- Source of Funds.

LII Acquisition Corp. will be provided with approximately $4.0 billion by its parent company, Northrop Grumman Corporation for the purchase of Common Shares and Preferred Shares in the offer. Northrop Grumman Corporation will borrow the majority of such funds pursuant to a commitment letter which it has received from Credit Suisse First Boston and The Chase Manhattan Bank. The loan commitments are subject to normal and customary conditions. However, the offer is not conditioned upon any financing arrangements. See Section 10 of this offer to purchase--"Source and Amount of Funds." Northrop Grumman Corporation is one of the world leaders in the aerospace and defense industry. As of December 31, 1999, Northrop Grumman Corporation's fiscal year-end, Northrop Grumman Corporation had total assets of $7.616 billion and net income of $467 million. See Section 9 of this offer to purchase--"Certain Information Concerning Parent and Purchaser."

- Time For Acceptance.

You will have at least until 12:00 midnight, New York City time, on Friday, February 2, 2001, to decide whether to tender your shares in the offer. If you cannot deliver everything that is required in order to make a valid tender by that time, you may be able to use a guaranteed delivery procedure, which is described later in this offer to purchase. See Sections 1 and 3 of this offer to purchase--"Terms of the Offer" and "Procedures for Accepting the Offer and Tendering Common Shares and Preferred Shares."

- Extension of the Offer.

We may extend the offer as follows:

- for additional 5 business day periods if at the time the offer is scheduled to expire (including at the end of any extension) any of the conditions to the offer are not satisfied or waived by us;

- for any period during which we are required to extend the offer by the rules of the Securities and Exchange Commission; and

- for a subsequent offering period of up to 20 business days in order to acquire over 90% of the outstanding Common Shares or Preferred Shares. A subsequent offering period, if one is provided, will be an additional opportunity for stockholders to tender their Common Shares and Preferred Shares and receive the offer consideration for such shares promptly after they are tendered.

See Section 1 of this offer to purchase--"Terms of the Offer."

- Notification of Extensions.

We will make a public announcement if we extend the offer, and we will inform EquiServe Trust Company, the depositary for the offer, of the extension by not later than 9:00 a.m., New York City time, on the next business day after the day on which the offer was scheduled to expire. See Section 1 of this offer to purchase--"Terms of the Offer."

- Significant Conditions to the Offer.

We are not obligated to purchase any tendered shares if the total number of Common Shares and Preferred Shares validly tendered is less than 25,562,006, which represents a majority of the total outstanding number of Common Shares and Preferred Shares on a fully-diluted basis. The offer is also subject to a number of other conditions including the expiration or termination of any applicable waiting period under the Hart-Scott-Rodino Act or a similar regulation of the European Union. See Sections 1 and 16 of this offer to purchase--"Terms of the Offer," and "Certain Conditions of the Offer."

- Method of Tender.

To tender shares, you must deliver the certificates representing your shares, together with a completed letter of transmittal, to EquiServe Trust Company, the depositary for the offer, not later than the time the tender offer expires. If your shares are held in street name, the shares can be tendered by your nominee through the depositary. If you cannot deliver something that is required by the depositary by the expiration of the offer, you may get a little extra time to do so by having a broker, a bank or other fiduciary which is a member of the Securities Transfer Agents Medallion Program or other eligible institution, guarantee that the missing items will be received by the depositary within three New York Stock Exchange trading days. However, the depositary must receive the missing items within that three trading day period. See Section 3 of this offer to purchase--"Procedures for Accepting the Offer and Tendering Common Shares and Preferred Shares."

- Time of Payment.

If all of the conditions of the offer are satisfied or waived and your shares of Litton Industries, Inc. are accepted for payment, we will pay you promptly after the expiration of the offer. See Section 2 of this offer to purchase--"Acceptance of Payment and Payment for Common Shares and Preferred Shares."

- Withdrawal of Tendered Shares.

You can withdraw previously tendered shares at any time until the offer has expired and, if we have not agreed to accept your shares for payment by Tuesday, March 6, 2001, you can withdraw them at any time after such time until we accept the shares for payment. See Section 4 of this offer to purchase--"Withdrawal Rights."

To withdraw previously tendered shares, you must deliver a written notice of withdrawal, or a facsimile of one, with the required information to the depositary while you still have the right to withdraw the shares. If you tendered by giving instructions to a broker or bank, you must instruct the broker or bank to arrange for the withdrawal of your shares. See Sections 1 and 4 of this offer to purchase--"Terms of the Offer" and "Withdrawal Rights."

- Board of Directors Recommendation.

We are making the offer pursuant to an agreement and plan of merger dated December 21, 2000 among Litton Industries, Inc., Northrop Grumman Corporation and us. The Board of Directors of each of Litton Industries, Inc. and Northrop Grumman Corporation has unanimously approved the merger agreement, the offer and the proposed merger with LII Acquisition Corp. The Board of Directors of Litton Industries, Inc. unanimously recommends that holders of Common Shares accept the offer and tender their Common Shares. The Board of Directors of Litton Industries, Inc. is not taking a position with respect to whether holders of Preferred Shares should accept the offer and tender their Preferred Shares. See Section 11 of this offer to purchase--"Background of the Offer; Past Contacts or Negotiations with the Company."

- Merger After Tender Offer.

If we purchase in the offer a total of at least 25,562,006 Common Shares and Preferred Shares on a fully-diluted basis, and all other applicable conditions are met, LII Acquisition Corp. will be merged with Litton Industries, Inc. and all remaining stockholders holding Common Shares (other than stockholders who have properly perfected appraisal rights under Delaware state law) will receive the same price per Common Share paid in the offer, that is $80.00 per share in cash (or any greater amount per Common Share we pay in the offer). See "Introduction" and Section 13 of this offer to purchase--"Purpose of the Offer; Plans for the Company."

Any Preferred Shares that are not tendered in the offer or not accepted for purchase by LII Acquisition Corp. will remain outstanding after our merger with Litton Industries, Inc. The rights, preferences and privileges of such untendered or unpurchased Preferred Shares will remain the same after the offer and the merger, as before the offer. If, however, we acquire two-thirds or more of the Preferred Shares we will have sufficient voting power to amend the terms of the Preferred Shares under Litton Industries, Inc.'s Restated Certificate of Incorporation. See Section 12 of this offer to purchase--"The Merger Agreement, Other Arrangements--Preferred Shares" and Section 13--"Purpose of the Offer; Plans for the Company--Preferred Shares."

- Appraisal Rights.

No appraisal rights are available in connection with the offer. After the offer, appraisal rights will be available to holders of Common Shares who do not vote in favor of the merger (if a stockholder vote is required), subject to and in accordance with Delaware state law. Holders of Preferred Shares will not have appraisal rights in connection with the merger if the Preferred Shares are either listed on a national securities exchange or quoted on the Nasdaq National Market System on the record date fixed to determine those stockholders entitled to vote on the merger (if a stockholder vote is required). A holder of Common Shares or Preferred Shares must properly perfect its right to seek an appraisal under Delaware state law in connection with the merger to have appraisal rights as provided under Delaware state law. See Section 18 of this offer to purchase--"Appraisal Rights."

- Market for Common Shares and Preferred Shares After the Offer.

If we purchase all of the tendered shares and the merger takes place, there will no longer be a trading market for the Common Shares. There may remain a limited trading market for the Preferred Shares. Even if the merger does not take place, if we purchase all of the tendered Common Shares and Preferred Shares:

  - there may be so few remaining stockholders and publicly held shares that the Common Shares and Preferred Shares no longer will be eligible to be traded through the New York Stock Exchange, the Pacific Exchange or another exchange or the National Association of Securities Dealers Automated Quotation System;

- there may not be a public trading market for the Common Shares and Preferred Shares; and

- Litton Industries, Inc. may cease making filings with the Securities and Exchange Commission or otherwise cease being required to comply with the Securities and Exchange Commission's rules relating to publicly held companies. See Section 14 of this offer to purchase--"Certain Effects of the Offer."

- Return of Tendered Shares.

If any Common Shares or Preferred Shares that you tender are not accepted for any reason, certificates representing such shares will be returned to you or to the person you specify in your tendering documents. See Section 2 of this offer to purchase--"Acceptance of Payment and Payment for Common Shares and Preferred Shares."

- Recent Market Prices.

On December 21, 2000, the last trading day before Northrop Grumman Corporation and Litton Industries, Inc. announced that they had signed the merger agreement, (a) the last sale price of the Common Shares reported on the New York Stock Exchange was $62.6250 per share and (b) the last sale price of the Preferred Shares reported on the New York Stock Exchange was $24.0000 per share. On January 4, 2001, the last trading day before LII Acquisition Corp. commenced the offer, (i) the last sale price of the Common Shares reported on the New York Stock Exchange was $78.9375 per share and (ii) the last sale price of the Preferred Shares reported on the New York Stock Exchange was $34.2500. We advise you to obtain a recent quotation for shares of Litton Industries, Inc. in deciding whether to tender your shares. See Section 6 of this offer to purchase--"Price Range of Common Shares and Preferred Shares.

- Effect of the Offer on Preferred Shares.

If you own Preferred Shares and decide not to tender them for purchase in the offer, your untendered and unpurchased Preferred Shares will remain outstanding and unchanged as the result of the merger. If two-thirds or more of the Preferred Shares are acquired by LII Acquisition Corp. in the offer or otherwise, LII Acquisition Corp. will have sufficient voting power to approve amendments to the terms of the Preferred Shares under the Company's Restated Certificate of Incorporation. Also, if there are less than 300 record holders of Preferred Shares remaining, LII Acquisition Corp. currently anticipates that it will deregister and delist the Preferred Shares from the New York Stock Exchange. See Section 13 of this offer to purchase--"Purpose of the Offer; Plans for the Company--Preferred Shares" and Section 18--"Appraisal Rights."

- Questions and Information.

You can call Georgeson Shareholder Communications Inc., at (800) 223-2064 (toll free) or Salomon Smith Barney Inc. at (877) 319-4978 (toll free). Georgeson Shareholder Communications Inc. is acting as the information agent and Salomon Smith Barney Inc. is acting as the dealer manager for our tender offer. See the back cover page of this offer to purchase.

To the Holders of Common Stock
(including the associated rights) and
Series B $2 Cumulative Preferred Stock
of Litton Industries, Inc.:

INTRODUCTION

LII Acquisition Corp., a Delaware corporation ("Purchaser") and a wholly owned subsidiary of Northrop Grumman Corporation, a Delaware corporation ("Parent"), hereby offers to purchase (a) all of the outstanding shares of common stock, par value $1.00 per share (together with the associated rights to purchase preferred stock pursuant to the Rights Agreement dated as of August 17, 1994 between Litton Industries, Inc. and The Bank of New York, the "Common Shares") of Litton Industries, Inc., a Delaware corporation (the "Company"), at a purchase price of $80.00 per Common Share (the "Common Offer Price") and (b) all of the outstanding shares of Series B $2 Cumulative Preferred Stock, par value $5.00 per share (the "Preferred Shares") of the Company, at a purchase price of $35.00 per Preferred Share (the "Preferred Offer Price"), in each case, net to the seller in cash, without interest thereon, upon the terms and subject to the conditions set forth in this Offer to Purchase (as amended or supplemented from time to time, the "Offer to Purchase") and Letter of Transmittal (the "Letter of Transmittal," which, together with the Offer to Purchase, as each may be amended or supplemented from time to time, collectively constitute the "Offer").

Tendering stockholders who are record owners of the Common Shares and Preferred Shares and tender directly to the Depositary (as defined below) will not be obligated to pay brokerage fees or commissions or, except as otherwise provided in Instruction 6 of the Letter of Transmittal, stock transfer taxes with respect to the purchase of Common Shares or Preferred Shares by Purchaser pursuant to the Offer. Stockholders who hold their Common Shares or Preferred Shares through a broker or bank should consult such institution as to whether it charges any service fees. Parent or Purchaser will pay all charges and expenses of Salomon Smith Barney Inc. as dealer manager (the "Dealer Manager"), EquiServe Trust Company, as depositary (the "Depositary"), and Georgeson Shareholder Communications Inc., as information agent (the "Information Agent"), incurred in connection with the Offer. See Section 19 of this Offer to Purchase--"Fees and Expenses."

The Offer is conditioned upon, among other things, (i) there being validly tendered and not properly withdrawn prior to the expiration of the Offer a total of at least 25,562,006 Common Shares and Preferred Shares, which represents a majority of the total outstanding number of Common Shares and Preferred Shares on a fully-diluted basis (the "Minimum Tender Condition") and (ii) the expiration or termination of any applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), and, to the extent required, the approval of the Merger (as defined below) by the Commission of the European Union under Council Regulation (EEC) No. 4064/89 of the Council of the European Union. The Offer also is subject to certain other terms and conditions. See Sections 1, 16 and 17 of this Offer to Purchase.

The Offer will expire at 12:00 midnight, New York City time, on Friday, February 2, 2001 (the "Expiration Date") unless the Offer is extended, in which case the Expiration Date will be the latest time and date the Offer, as extended, expires.

The Offer is being made pursuant to an Agreement and Plan of Merger dated as of December 21, 2000, among the Company, Parent and Purchaser (the "Merger Agreement") pursuant to which, after completion of the Offer and satisfaction or waiver of certain conditions, Purchaser will be merged with and into the Company and the Company will be the surviving corporation (the "Merger"). On the effective date of the Merger (the "Effective Time"), each outstanding Common Share (other than Common Shares owned by Purchaser or any subsidiary or affiliate of Purchaser or the Company or held in the treasury of the Company or by stockholders who have properly perfected appraisal rights under Delaware state law) will by virtue of the Merger, and without any action by the holder thereof, be cancelled and converted into the right to receive $80.00 per Common Share in cash, or any higher price per Common Share paid pursuant to the Offer, without interest thereon (the "Merger Consideration"). Each Preferred Share that remains outstanding at the Effective Time shall, without any change, remain outstanding as a Preferred Share of the surviving corporation. The Merger Agreement is more fully

described in Section 12 of this Offer to Purchase entitled "The Merger Agreement; Other Arrangements." Certain United States federal income tax consequences of the sale of Common Shares and Preferred Shares pursuant to the Offer and the Merger, as the case may be, are discussed in Section 5 of this Offer to Purchase entitled "Material U.S. Federal Income Tax Considerations."

The Company Board (i) has unanimously approved the Merger Agreement, the Offer and the Merger, (ii) has unanimously determined that the Offer and the Merger are fair to, and in the best interests of, the holders of Common Shares, and (iii) unanimously recommends that holders of Common Shares accept the Offer and tender their Common Shares pursuant to the Offer. The Company Board makes no recommendation with respect to the tender of Preferred Shares.

Merrill Lynch & Co., the Company's financial advisor (the "Advisor"), has delivered to the Company Board a written opinion dated December 21, 2000, to the effect that, as of that date and based on and subject to the matters described in the opinion, the $80.00 per Common Share cash consideration to be received by the holders of Common Shares in the Offer and the Merger is fair to such holders from a financial point of view. A copy of the Advisor's written opinion, which describes the assumptions made, procedures followed, matters considered and limitations on the review undertaken, is contained in the Company's Solicitation/Recommendation Statement on Schedule 14D-9 (the "Schedule 14D-9") filed with the Securities and Exchange Commission (the "SEC") on January 5, 2001 in connection with the Offer, a copy of which (without certain exhibits) is being furnished to stockholders of the Company concurrently herewith. Stockholders are urged to read the full text of such opinion carefully in its entirety.

If the Minimum Tender Condition and the other conditions to the Offer are satisfied and the Offer is consummated, Purchaser will own a sufficient number of Common Shares and Preferred Shares to ensure that the Merger will be approved. Under the Delaware General Corporation Law ("DGCL") if, after consummation of the Offer, Purchaser owns at least 90% of the Common Shares and at least 90% of the Preferred Shares then outstanding, Purchaser will be able to cause the Merger to occur without a vote of the Company's stockholders. However, if Purchaser owns less than 90% of the Common Shares or less than 90% of the Preferred Shares then outstanding after consummation of the Offer, a vote of the Company's stockholders will be required under the DGCL to approve the Merger. See Sections 12 and 18 of this Offer to Purchase--"The Merger Agreement; Other Arrangements" and "Appraisal Rights."

The Company has informed Purchaser that, as of December 31, 2000, there were 45,577,834 Common Shares issued and outstanding (excluding 2,743,083 Common Shares held in the Company's treasury), there were 5,194,720 Common Shares reserved for issuance pursuant to outstanding options under the Company's stock option plans and there were 410,643 Preferred Shares issued and outstanding. As of the date of this Offer to Purchase, Parent beneficially owns no Common Shares or Preferred Shares and no rights to acquire Common Shares or Preferred Shares of the Company. See Section 13 of this Offer to Purchase--"Purpose of the Offer; Plans for the Company."

The Merger is subject to the satisfaction or waiver of certain conditions, including, among other things, the approval and adoption of the Merger Agreement by the requisite vote of the stockholders of the Company, if required. If the Minimum Tender Condition is satisfied, Purchaser would have sufficient voting power to approve the Merger without the affirmative vote of any other stockholder of the Company and has agreed to vote its shares in favor of the Merger. The Company has agreed, if required, to duly call, give notice of, convene and hold a meeting of its stockholders, to be held as promptly as practicable after the expiration of the Offer for the purpose of obtaining stockholder approval of the Merger Agreement. See Section 12 of this Offer to Purchase--"The Merger Agreement; Other Arrangements."

No appraisal rights are available in connection with the Offer. Stockholders may have appraisal rights in connection with the Merger if they comply with applicable Delaware state law and do not vote such Common Shares or Preferred Shares in favor of the Merger or, if no such vote is required, if they comply with the requirements of Delaware state law regarding the perfection of available appraisal rights. See Section 18 of this Offer to Purchase--"Appraisal Rights."

This Offer to Purchase and the related Letter of Transmittal contain important information that should be read carefully and in their entirety before any decision is made with respect to the Offer.

THE TENDER OFFER

1. Terms of the Offer.

Upon the terms and subject to the conditions of the Offer (including the terms and conditions of any extension or amendment, if the Offer is extended or amended), Purchaser will accept for payment and pay the Common Offer Price for all Common Shares and the Preferred Offer Price for all Preferred Shares validly tendered and not properly withdrawn prior to the Expiration Date as permitted under Section 4 of this Offer to Purchase entitled "Withdrawal Rights."

The Offer is conditioned upon, among other things, the Minimum Tender Condition. The "Minimum Tender Condition" refers to the requirement that there have been validly tendered and not properly withdrawn a total of at least 25,562,006 Common Shares and Preferred Shares, which represents a majority of the total outstanding Common Shares and Preferred Shares on a fully-diluted basis. The Offer also is conditioned upon expiration or termination of any applicable waiting period under the HSR Act, the approval, to the extent required, of the Commission of the European Union under Council Regulation (EEC) No. 4064/89 of the Council of the European Union, and the other conditions described in Section 16 of this Offer to Purchase entitled "Certain Conditions of the Offer."

Extension of the Offer. Subject to the limitations set forth in this Offer, the Merger Agreement and the applicable rules and regulations of the SEC described below, Purchaser reserves the right, at any time and from time to time in its sole discretion, to extend the period during which the Offer is open by giving oral or written notice of such extension to the Depositary. During any such extension, all Common Shares and Preferred Shares previously tendered and not properly withdrawn will remain subject to the Offer, subject to the right, if any, of a tendering stockholder to withdraw such stockholder's Common Shares and Preferred Shares. See Section 4 of this Offer to Purchase--"Withdrawal Rights." There can be no assurance that Purchaser will exercise its right to extend the Offer.

Purchaser has agreed that it will not, without the prior written consent of the Company (a) decrease the Common Offer Price or the Preferred Offer Price, (b) change the form of consideration payable in the Offer, (c) decrease the number of Common Shares or Preferred Shares sought to be purchased in the Offer, (d) impose additional conditions to the Offer other than those set forth in the Merger Agreement, (e) amend any other term of the Offer in any manner adverse to the holders of Common Shares or Preferred Shares, (f) reduce the time period during which the Offer shall remain open or (g) waive the Minimum Tender Condition.

Pursuant to the Merger Agreement, Parent may, without the consent of the Company, cause Purchaser to (i) extend the Offer from time to time in its sole discretion, if at the then-scheduled expiration date of the Offer, any of the conditions to the Offer have not been satisfied or waived, for such amount of time as is reasonably necessary to cause the Offer conditions to be satisfied, but not to exceed five business days for each such extension, (ii) extend the Offer for any period required by any rule, regulation, interpretation or position of the SEC or the staff of the SEC applicable to the Offer, or (iii) extend the Offer for a subsequent offering period (as provided in Rule 14d-11 under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) of up to twenty business days beyond the latest expiration date that would otherwise be permitted under clause (ii) of this sentence in order to acquire over 90% of the outstanding Common Shares and over 90% of the outstanding Preferred Shares. Parent has agreed to cause Purchaser to extend the Offer as permitted by the Merger Agreement for the shortest time periods which it reasonably believes are necessary to consummate the Offer if the conditions to the Offer have not been satisfied or waived so long as the Merger Agreement has not been terminated pursuant to its terms.

The rights reserved in the foregoing paragraphs are in addition to any additional rights described in Section 16 of this Offer to Purchase entitled "Certain Conditions of the Offer."

Any extension, delay, termination, waiver or amendment will be followed as promptly as practicable by public announcement. An announcement, in the case of an extension, will be made no later than 9:00 a.m.,

New York City time, on the next business day after the previously scheduled expiration of the Offer, in accordance with the public announcement requirements of Rule 14e-1(d). Subject to applicable law (including Rules 14d-4(d), and 14d-6(c) under the Exchange Act, which require that material changes be promptly disseminated to stockholders in a manner reasonably designed to inform them of such changes) and without limiting the manner in which Purchaser may choose to make any public announcement, Purchaser shall have no obligation to publish, advertise or otherwise communicate any such public announcement other than by issuing a press release to the Dow Jones News Service.

Subject to the Merger Agreement, if Purchaser makes a material change in the terms of the Offer or the information concerning the Offer or waives any material condition of the Offer, Purchaser will disseminate additional tender offer materials (including by public announcement as set forth below) and extend the Offer to the extent required by Rules 14d-4(d) and 14e-1 under the Exchange Act. These rules generally provide that the minimum period during which a tender offer must remain open following material changes in the terms of the offer or information concerning the offer, other than a change in price or a change in the percentage of securities sought, will depend upon the facts and circumstances then existing, including the relative materiality of the changed terms or information. In the SEC's view, an offer should remain open for a minimum of five business days from the date the material change is first published, sent or given to stockholders, and, if material changes are made with respect to information that approaches the significance of price and the percentage of securities sought, a minimum of ten business days may be required to allow for adequate dissemination and investor response. With respect to a change in price, a minimum ten business day period from the date of the change is generally required to allow for adequate dissemination to stockholders. Accordingly, if, prior to the Expiration Date, Purchaser increases or decreases the consideration offered pursuant to the Offer, and if the Offer is scheduled to expire at any time earlier than the tenth business day from the date that notice of the increase or decrease is first published, sent or given to holders of Common Shares and Preferred Shares, Purchaser will extend the Offer at least until the expiration of such tenth business day. For purposes of the Offer, a "business day" means any day other than a Saturday, Sunday or a federal holiday and consists of the time period from 12:01 a.m. through 12:00 midnight, New York City time.

Pursuant to, but subject to certain conditions in, the Merger Agreement, Purchaser has agreed to (i) accept for payment all Common Shares and Preferred Shares validly tendered and not withdrawn pursuant to the Offer as soon as permitted under applicable law, and (ii) pay for such Common Shares and Preferred Shares promptly thereafter.

The Company has provided Purchaser with the Company's stockholder list and security position listings for the purpose of disseminating the Offer to holders of Common Shares and Preferred Shares. This Offer to Purchase and the related Letter of Transmittal will be mailed to record holders of Common Shares and Preferred Shares whose names appear on the Company's stockholder list and will be furnished, for subsequent transmittal to beneficial owners of Common Shares and Preferred Shares, to brokers, dealers, commercial banks, trust companies and similar persons whose names, or the names of whose nominees, appear on the stockholder list or, if applicable, who are listed as participants in a clearing agency's security position listing.

2. Acceptance of Payment and Payment for Common Shares and Preferred Shares.

Upon the terms and subject to the conditions of the Offer (including, if the Offer is extended or amended, the terms and conditions of any such extension or amendment), Purchaser will accept for payment, purchase and pay for all Common Shares and Preferred Shares which have been validly tendered and not properly withdrawn pursuant to the Offer at the earliest time following expiration of the Offer when all conditions to the Offer described in Section 16 of this Offer to Purchase entitled "Certain Conditions of the Offer" have been satisfied or waived by Purchaser. Subject to the Merger Agreement and any applicable rules and regulations of the SEC, including Rule 14e-1(c) under the Exchange Act (relating to Purchaser's obligation to pay for or return tendered Common Shares or Preferred Shares promptly after termination or withdrawal of the Offer), Purchaser expressly reserves the right to delay the acceptance for payment of or the payment for any tendered Common Shares or Preferred Shares in order to comply in whole or in part with any applicable laws, including, without limitation,

the HSR Act and similar foreign statutes and regulations. See Section 17 of this Offer to Purchase--"Certain Legal Matters; Regulatory Approvals."

For purposes of the Offer, Purchaser will be deemed to have accepted for payment (and thereby purchased) Common Shares and Preferred Shares validly tendered and not properly withdrawn as, if and when Purchaser gives oral or written notice to the Depositary of Purchaser's acceptance for payment of such Common Shares or Preferred Shares pursuant to the Offer. Upon the terms and subject to the conditions of the Offer, payment for Common Shares and Preferred Shares accepted for payment pursuant to the Offer will be made by deposit of the purchase price for the Common Shares and Preferred Shares with the Depositary, which will act as agent for tendering stockholders for the purposes of receiving payments from Purchaser and transmitting payments to tendering stockholders. Under no circumstances will Purchaser pay interest on the purchase price for any Common Shares or Preferred Shares accepted for payment, regardless of any extension of the Offer or any delay in making payment.

The reservation by Purchaser of the right to delay the acceptance, purchase of or payment for Common Shares or Preferred Shares is subject to the terms of the Merger Agreement and the provisions of Rule 14e-1(c) under the Exchange Act, which requires Purchaser to pay the consideration offered or return the Common Shares and Preferred Shares deposited by or on behalf of tendering stockholders promptly after the termination or withdrawal of the Offer.

In all cases, Purchaser will pay for Common Shares and Preferred Shares purchased in the Offer only after timely receipt by the Depositary of (i) the certificates representing the Common Shares or Preferred Shares, as the case may be (the "Share Certificates") or confirmation (a "Book-Entry Confirmation") of a book-entry transfer of such Common Shares or Preferred Shares into the Depositary's account at The Depositary Trust Company (the "Book-Entry Transfer Facility") pursuant to the procedures set forth in Section 3 of this Offer to Purchase entitled "Procedures for Accepting the Offer and Tendering Common Shares and Preferred Shares;" (ii) the appropriate Letter of Transmittal (or a facsimile thereof), properly completed and duly executed, with any required signature guarantees or, in the case of a book-entry transfer, an Agent's Message (as defined below) in lieu of the Letter of Transmittal; and (iii) any other documents required under the Letter of Transmittal.

"Agent's Message" means a message transmitted by a Book-Entry Transfer Facility to, and received by, the Depositary and forming a part of a Book-Entry Confirmation, which message states that the Book-Entry Transfer Facility has received an express acknowledgment from the participant in the Book-Entry Transfer Facility tendering the Common Shares or Preferred Shares which are the subject of the Book-Entry Confirmation that the participant has received and agrees to be bound by the terms of the Letter of Transmittal and that Purchaser may enforce the Letter of Transmittal against the participant.

If Purchaser does not purchase any tendered Common Shares or Preferred Shares pursuant to the Offer for any reason, or if a holder of Common Shares or Preferred Shares submits Share Certificates representing more Common Shares or Preferred Shares than are tendered, Share Certificates representing unpurchased or untendered Common Shares and Preferred Shares will be returned, without expense to the tendering stockholder (or, in the case of Common Shares or Preferred Shares tendered by book-entry transfer into the Depositary's account at the Book-Entry Transfer Facility pursuant to the procedure set forth in Section 3 of this Offer to Purchase entitled "Procedures for Accepting the Offer and Tendering Common Shares and Preferred Shares," such Common Shares or Preferred Shares will be credited to an account maintained at the Book-Entry Transfer Facility), as promptly as practicable following the expiration or termination of the Offer.

If, prior to the Expiration Date, Purchaser increases the Common Offer Price or the Preferred Offer Price, Purchaser will pay the increased Common Offer Price to all holders of Common Shares and the increased Preferred Offer Price to all holders of Preferred Shares that are purchased in the Offer, whether or not the Common Shares or Preferred Shares were tendered before the increase in the Common Offer Price or Preferred Offer Price, as the case may be.

Purchaser reserves the right to transfer or assign, in whole or in part, from time to time, to one or more direct or indirect subsidiaries of Parent, the right to purchase all or any portion of the Common Shares or Preferred Shares tendered pursuant to the Offer, but any such transfer or assignment will not relieve Purchaser of its obligations under the Offer and will in no way prejudice the rights of tendering stockholders to receive payment for Common Shares or Preferred Shares validly tendered and accepted for payment pursuant to the Offer.

3. Procedures for Accepting the Offer and Tendering Common Shares and Preferred Shares.

Valid Tenders. To tender Common Shares or Preferred Shares pursuant to the Offer, a stockholder must comply with one of the following: (a) a properly completed and duly executed Letter of Transmittal (or a facsimile thereof) in accordance with the instructions of the Letter of Transmittal, with any required signature guarantees, certificates for the Common Shares or Preferred Shares to be tendered and any other documents required by the Letter of Transmittal must be received by the Depositary at one of its addresses set forth on the back cover of this Offer to Purchase prior to the Expiration Date, (b) such Common Shares or Preferred Shares must be properly delivered pursuant to the procedures for book-entry transfer, as described below, and a confirmation of such delivery received by the Depositary, which confirmation must include an Agent's Message if the tendering stockholder has not delivered a Letter of Transmittal, prior to the Expiration Date, or (c) the tendering stockholder must comply with the guaranteed delivery procedures set forth below.

Book-Entry Transfer. The Depositary will establish accounts with respect to the Common Shares and Preferred Shares at the Book-Entry Transfer Facility for purposes of the Offer within two business days after the date of this Offer to Purchase. Any financial institution that is a participant in the system of the Book-Entry Transfer Facility may make a book-entry delivery of Common Shares or Preferred Shares by causing the Book-Entry Transfer Facility to transfer such Common Shares or Preferred Shares into the Depositary's account at the Book-Entry Transfer Facility in accordance with the Book-Entry Transfer Facility's procedures for such transfer. However, although delivery of Common Shares and Preferred Shares may be effected through book-entry transfer at the Book-Entry Transfer Facility, either the Letter of Transmittal (or a facsimile thereof), properly completed and duly executed, together with any required signature guarantees, or an Agent's Message in lieu of the Letter of Transmittal, and any other required documents, must, in any case, be received by the Depositary at one of its addresses set forth on the back cover of this Offer to Purchase on or prior to the Expiration Date, or the tendering stockholder must comply with the guaranteed delivery procedure set forth below.

Delivery of documents to the Book-Entry Transfer Facility in accordance with the Book-Entry Transfer Facility's procedures does not constitute delivery to the Depositary. The method of delivery of Share Certificates, the Letter of Transmittal and all other required documents, including delivery through the Book-Entry Transfer Facility, is at the option and risk of the tendering stockholder, and the delivery will be deemed made only when actually received by the Depositary (including, in the case of a book-entry transfer, a Book-Entry Confirmation). If delivery is by mail, registered mail with return receipt requested and properly insured is recommended. In all cases, sufficient time should be allowed to ensure timely delivery.

Signature Guarantees. No signature guarantee is required on the Letter of Transmittal where Common Shares or Preferred Shares are tendered (i) by a registered holder of Common Shares or Preferred Shares who has not completed either the box labeled "Special Delivery Instructions" or the box labeled "Special Payment Instructions" on the Letter of Transmittal or (ii) for the account of a bank, broker, dealer, credit union, savings association or other entity which is a member in good standing of a recognized Medallion Program approved by the Securities Transfer Association Inc., including the Securities Transfer Agents Medallion Program ("STAMP"), the Stock Exchange Medallion Program ("SEMP") and the New York Stock Exchange Medallion Signature Program ("MSP"), or any other "eligible guarantor institution" as defined in Rule 17Ad-15 under the Exchange Act (each of the foregoing, an "Eligible Institution"). In all other cases, all signatures on a Letter of Transmittal must be guaranteed by an Eligible Institution. See Instruction 1 of the Letter of Transmittal.

If a Share Certificate is registered in the name of a person or persons other than the signer of the Letter of Transmittal, or if payment is to be made or delivered to a person other than the registered holder, or if a

Share Certificate for unpurchased Common Shares or Preferred Shares is to be issued or returned to a person other than the registered holder, then the Share Certificate must be endorsed or accompanied by a duly executed stock power, in either case signed exactly as the name of the registered holder appears on the Share Certificate, with the signature on such Share Certificate or stock power guaranteed by an Eligible Institution as provided in the Letter of Transmittal. See Instructions 1 and 5 of the Letter of Transmittal.

Guaranteed Delivery. If a stockholder desires to tender Common Shares or Preferred Shares pursuant to the Offer and the Share Certificates evidencing such stockholder's Common Shares or Preferred Shares are not immediately available or such stockholder cannot deliver the Share Certificates and all other required documents to the Depositary prior to the Expiration Date, or such stockholder cannot complete the procedure for delivery by book-entry transfer on a timely basis, the stockholder's Common Shares and Preferred Shares may nevertheless be tendered, provided that all of the following conditions are satisfied:

(i) the tender is made by or through an Eligible Institution;

(ii) the Depositary receives, as described below, a properly completed and duly executed Notice of Guaranteed Delivery (the "Notice of Guaranteed Delivery"), substantially in the form made available by Purchaser, on or prior to the Expiration Date; and

(iii) the Depositary receives the Share Certificates (or a Book-Entry Confirmation) evidencing all tendered Common Shares and Preferred Shares, in proper form for transfer, in each case together with the Letter of Transmittal (or a facsimile thereof), properly completed and duly executed, with any required signature guarantees (or, in the case of a book-entry transfer, an Agent's Message), and any other documents required by the Letter of Transmittal, within three New York Stock Exchange trading days after the date of execution of such Notice of Guaranteed Delivery.

The Notice of Guaranteed Delivery may be delivered by hand or mail or transmitted by telegram or facsimile transmission to the Depositary and must include a guarantee by an Eligible Institution in the form set forth in the form of Notice of Guaranteed Delivery made available by Purchaser.

Notwithstanding any other provision of the Offer, Purchaser will pay for Common Shares and Preferred Shares only after timely receipt by the Depositary of: (i) Share Certificates representing, or Book-Entry Confirmation with respect to, the Common Shares and/or Preferred Shares, (ii) a properly completed and duly executed Letter of Transmittal (or a facsimile thereof), together with any required signature guarantees (or, in the case of a book-entry transfer, an Agent's Message), and (iii) any other documents required by the Letter of Transmittal.

Determination of Validity. All questions as to the validity, form, eligibility (including time of receipt) and acceptance for payment of any tender of Common Shares or Preferred Shares will be determined by Purchaser in its sole discretion, which determination will be final and binding on all parties. Purchaser reserves the absolute right to reject any and all tenders determined by it not to be in proper form or the acceptance for payment of which may, in the opinion of its counsel, be unlawful. Subject to the terms of the Merger Agreement, Purchaser also reserves the absolute right to waive any condition of the Offer or any defect or irregularity in the tender of any Common Shares or Preferred Shares of any particular stockholder of the Company, whether or not similar defects or irregularities are waived in the case of other stockholders of the Company.

Subject to the Merger Agreement, Purchaser's interpretation of the terms and conditions of the Offer (including the Letter of Transmittal and the instructions thereto) will be final and binding. No tender of Common Shares or Preferred Shares will be deemed to have been validly made until all defects and irregularities have been cured or waived. None of Parent, Purchaser, or any of their respective affiliates or assigns, the Dealer Manager, the Depositary, the Information Agent or any other person will be under any duty to give notification of any defects or irregularities in tenders or incur any liability for failure to give any such notification.

Appointment as Proxy. By executing the Letter of Transmittal, a tendering stockholder irrevocably appoints designees of Purchaser as such stockholder's agents, attorneys-in-fact and proxies, with full power of

substitution, in the manner set forth in the Letter of Transmittal, to the full extent of such stockholder's rights with respect to the Common Shares and/or Preferred Shares tendered by such stockholder and accepted for payment by Purchaser and with respect to any and all other Common Shares or Preferred Shares or other securities or rights issued or issuable in respect of those Common Shares or Preferred Shares on or after the date of this Offer to Purchase. All such powers of attorney and proxies will be considered irrevocable and coupled with an interest in the tendered Common Shares or Preferred Shares, as the case may be. This appointment will be effective when, and only to the extent that, Purchaser accepts such Common Shares or Preferred Shares for payment. Upon such acceptance for payment, all other powers of attorney and proxies given by such stockholder with respect to such Common Shares or Preferred Shares and such other securities or rights prior to such payment will be revoked without further action, and no subsequent powers of attorney or proxies may be given, nor may any subsequent written consent be executed by such stockholder (and, if given or executed, will not be deemed to be effective) with respect thereto. With respect to the Common Shares or Preferred Shares for which the appointment is effective, the designees of Purchaser will be empowered to exercise all voting and other rights of such stockholder as the designees, in their sole discretion, may deem proper at any annual or special meeting of the Company's stockholders or any adjournment or postponement thereof, or by written consent in lieu of any such meeting or otherwise. In order for Common Shares or Preferred Shares to be deemed validly tendered, immediately upon the acceptance for payment of such Common Shares or Preferred Shares, Purchaser or its designee must be able to exercise full voting rights to the extent permitted under applicable law with respect to such Common Shares or Preferred Shares.

Tender Constitutes Binding Agreement. Purchaser's acceptance for payment of Common Shares and Preferred Shares tendered pursuant to any of the procedures described above will constitute a binding agreement between Purchaser and the tendering stockholder upon the terms and subject to the conditions of the Offer.

4. Withdrawal Rights.

Tenders of Common Shares and Preferred Shares made pursuant to the Offer are irrevocable, except that such Common Shares and Preferred Shares may be withdrawn (i) at any time prior to the Expiration Date and (ii) at any time after Tuesday, March 6, 2001 (or such later date as may apply if the Offer is extended), unless accepted for payment by Purchaser pursuant to the Offer prior to that date. See Section 1 of this Offer to Purchase--"Terms of the Offer."

If Purchaser extends the Offer, is delayed in its acceptance for payment of Common Shares or Preferred Shares, or is unable to accept Common Shares or Preferred Shares for payment pursuant to the Offer for any reason, then, without prejudice to Purchaser's rights under the Offer, the Depositary may nevertheless retain tendered Common Shares or Preferred Shares on behalf of Purchaser, and such Common Shares and Preferred Shares may not be withdrawn, except to the extent that tendering stockholders are entitled to and duly exercise their withdrawal rights as described in this Section 4. Any such delay will be by an extension of the Offer to the extent required by law.

For a withdrawal to be effective, a written or facsimile transmission notice of withdrawal must be timely received by the Depositary at one of its addresses set forth on the back cover page of this Offer to Purchase. Any such notice of withdrawal must specify the name of the person who tendered the Common Shares or Preferred Shares to be withdrawn, the number of Common Shares and Preferred Shares to be withdrawn and (if Share Certificates have been tendered) the name of the registered holder of such Common Shares or Preferred Shares, if different from that of the person who tendered such Common Shares and Preferred Shares. If Share Certificates representing Common Shares or Preferred Shares to be withdrawn have been delivered or otherwise identified to the Depositary, then, prior to the physical release of such Share Certificates, the serial numbers shown on such Share Certificates must be submitted to the Depositary and the signature on the notice of withdrawal must be guaranteed by an Eligible Institution, except in the case of Common Shares or Preferred Shares tendered for the account of an Eligible Institution. If Common Shares or Preferred Shares have been tendered pursuant to the procedure for book-entry transfer as set forth in Section 3 of this Offer to Purchase entitled "Procedures for Accepting the Offer and Tendering Common Shares and Preferred Shares," the notice of withdrawal must specify

the name and number of the account at the Book-Entry Transfer Facility to be credited with the withdrawn Common Shares or Preferred Shares, in which case a notice of withdrawal will be effective if delivered to the Depositary by any method of delivery described in the first sentence of this paragraph.

Withdrawals of Common Shares and Preferred Shares may not be rescinded. Any Common Shares or Preferred Shares properly withdrawn will be considered not validly tendered for purposes of the Offer. However, withdrawn Common Shares and Preferred Shares may be tendered again at any time prior to the Expiration Date by following one of the procedures described in Section 3 of this Offer to Purchase entitled "Procedures for Accepting the Offer and Tendering Common Shares and Preferred Shares."

All questions as to the form and validity (including time of receipt) of any notice of withdrawal will be determined by Purchaser in its sole discretion, whose determination will be final and binding. None of Parent, Purchaser, or their respective affiliates or assigns, the Dealer Manager, the Depositary, the Information Agent or any other person will be under any duty to give notification of any defects or irregularities in any notice of withdrawal or incur any liability for failure to give any such notification.

5. Material U.S. Federal Income Tax Considerations.

The following is a summary of the material United States federal income tax consequences that are generally applicable to holders of Preferred Shares and Common Shares who exchange such shares for cash pursuant to the Offer and to holders of Common Shares who exchange such shares for cash pursuant to the Merger. This discussion is based on currently existing federal income tax laws, all of which are subject to change. Any such change, which may or may not be retroactive, could alter the tax consequences of the Offer and the Merger that are described below. Stockholders should be aware that this discussion does not deal with all federal income tax considerations that may be relevant to particular stockholders in light of their individual circumstances. For example, this discussion does not address the tax consequences of the Offer and the Merger to stockholders who are dealers in securities, are foreign persons, or do not hold their Common Shares or Preferred Shares as capital assets. Nor does it address the tax consequences of the Offer or the Merger to stockholders who acquired such shares through the exercise of employee stock options or otherwise as compensation or stockholders who are otherwise subject to special tax treatment under the Internal Revenue Code of 1986, as amended (the "Code") (such as insurance companies, tax-exempt entities and regulated investment companies). In addition, the following discussion does not address the tax consequences of the Offer or the Merger to the stockholders under foreign, state, or local tax laws. Accordingly, all stockholders are urged to consult their own tax advisors to determine the particular tax consequences to them of the Offer and the Merger, including the applicable federal, state, local and foreign tax consequences.

In general, the receipt of cash by the holders of the Common Shares and the Preferred Shares pursuant to the Offer and/or the Merger will constitute a taxable transaction for United States federal income tax purposes. For United States federal income tax purposes, a tendering stockholder would generally recognize gain or loss in an amount equal to the difference between the amount of cash received by the stockholder pursuant to the Offer and/or the Merger and the stockholder's tax basis for the Common Shares or Preferred Shares that are tendered and purchased pursuant to the Offer and/or the Merger. Generally, gain or loss must be calculated separately for each identifiable block of shares of Company stock (i.e., shares acquired at the same cost in a single transaction). If tendered Common Shares or Preferred Shares are held by a tendering stockholder as capital assets, that gain or loss will be a capital gain or loss. Any such capital gain or loss will be long term if, as of the date of the disposition of its Common Shares or Preferred Shares, the stockholder held such Common Shares or Preferred Shares for more than one year, or will be short term if, as of such date, the stockholder held such Common Shares or Preferred Shares for one year or less. In the case of Company stockholders who are individuals, long term capital gain is currently subject to tax at a favorable tax rate. There are limitations on the deductibility of capital losses.

Backup U.S. Federal Income Tax Withholding. Under the United States federal income tax laws, the payments made by the Depositary to stockholders of the Company, pursuant to the Offer and/or the Merger may, under certain circumstances, be subject to backup withholding at a rate of 31%. To avoid backup withholding

with respect to payments made pursuant to the Offer and/or the Merger, each stockholder must provide the Depositary with proof of an applicable exemption or a correct taxpayer identification number, and must otherwise comply with the applicable requirements of the backup withholding rules. The Letter of Transmittal provides instructions on how to provide the Depositary with information to prevent backup withholding with respect to cash received pursuant to the Offer and/or the Merger. See Instruction 9 of the Letter of Transmittal. Any amount withheld under the backup withholding rules is not an additional tax. Rather, the tax liability of the persons subject to backup withholding will be reduced by the amount of tax withheld.

The foregoing is intended as a general summary only. Because the tax consequences to a particular stockholder may differ based on that stockholder's particular circumstances, each stockholder should consult his or her own tax advisor regarding the tax consequences of the Offer and the Merger.

6. Price Range of Common Shares and Preferred Shares.

The Common Shares trade on the New York Stock Exchange under the symbol "LIT," and the Preferred Shares trade on the New York Stock Exchange under the symbol "LIT pb." The following tables set forth, for the calendar quarters shown, the high and low closing sale prices for the Common Shares and the Preferred Shares, respectively, on the New York Stock Exchange based on published financial sources.

Litton Industries, Inc. Common Stock

	High	Low
Calendar 1998		
First Quarter	63.1875	55.0625
Second Quarter	63.4375	55.5000
Third Quarter	62.0625	47.4375
Fourth Quarter	68.0000	55.6250
Calendar 1999		
First Quarter	65.2500	50.6250
Second Quarter	74.6250	54.4375
Third Quarter	73.3750	54.0625
Fourth Quarter	55.7500	42.4375
Calendar 2000		
First Quarter	53.3750	26.8125
Second Quarter	46.8750	38.0000
Third Quarter	59.8125	40.7500
Fourth Quarter	80.6250	43.7500

Litton Industries, Inc. Series B $2 Cumulative Preferred Stock

	High	Low
Calendar 1998		
First Quarter	37.0000	31.0000
Second Quarter	35.0000	28.7500
Third Quarter	35.0000	28.0000
Fourth Quarter	34.6250	29.0000
Calendar 1999		
First Quarter	34.1250	29.8750
Second Quarter	33.6250	28.6250
Third Quarter	31.6250	26.9375
Fourth Quarter	30.5625	26.9375
Calendar 2000		
First Quarter	28.0000	24.0000
Second Quarter	27.7500	21.0000
Third Quarter	27.0000	22.5000
Fourth Quarter	35.0000	23.0000

In the Merger Agreement, the Company has represented to each of Parent and Purchaser that as of November 30, 2000, there were 45,418,647 Common Shares (excluding 2,734,083 Common Shares held in the Company's treasury) and 410,643 Preferred Shares issued and outstanding. On December 21, 2000, the last full day of trading before the public announcement of the execution of the Merger Agreement, the closing price of the Common Shares on the New York Stock Exchange was $62.6250 per Common Share and the closing price of the Preferred Shares on the New York Stock Exchange was $24.0000 per Preferred Share. On January 4, 2001, the last full day of trading before the commencement of the Offer, the closing price of the Common Shares on the New York Stock Exchange was $78.9375 per Common Share and the closing price of the Preferred Shares on the New York Stock Exchange was $34.2500 per Preferred Share.

Stockholders are urged to obtain a current market quotation for the Common Shares and the Preferred Shares.

The Company does not pay any dividends on its Common Shares, and the Merger Agreement prohibits the Company from declaring or paying any dividends, except for the payment of dividends on the Preferred Shares and except for the payment of dividends or distributions by a wholly owned subsidiary of the Company to the Company or another wholly owned subsidiary of the Company paid in the ordinary course of business, from the date of the Merger Agreement until the Effective Time.

7. Certain Information Concerning the Company.

The Company is a Delaware corporation with its principal offices located at 21240 Burbank Boulevard, Woodland Hills, California 91367-6675. The telephone number of the Company is (818) 598-5000.

According to the Company's Annual Report on Form 10-K for the fiscal year ended July 31, 2000 (the "Company's 10-K"), the Company 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, the Company is a prime contractor to the United States government for information technology and provides specialized IT services to commercial customers in local and foreign jurisdictions.

The Company is subject to the informational filing requirements of the Exchange Act and, in accordance therewith, is required to file periodic reports, proxy statements and other information with the SEC relating to its business, financial condition and other matters. Such reports, proxy statements and other information can be inspected and copied at the public reference facilities maintained by the SEC at 450 Fifth Street, N.W.,

Room 1024, Washington, D.C. 20549, and at the SEC's regional offices located at Seven World Trade Center, Suite 1300, New York, New York 10048 and Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Information regarding the public reference facilities may be obtained from the SEC by telephoning 1-800-SEC-0330. The Company's filings are also available to the public on the SEC's Internet site (http://www.sec.gov). Copies of such materials may also be obtained by mail from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. You may also read and copy reports and other information at the office of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005 or the office of the Pacific Exchange, 301 Pine Street, San Francisco, California 94104.

8. Selected Financial Information and Certain Projections.

Certain Selected Financial Information

Set forth below is certain selected historical consolidated financial information with respect to the Company, excerpted from the Company's 10-K for the fiscal year ended June 31, 2000 and from the Company's unaudited interim consolidated financial statements in the Company's quarterly report on Form 10-Q for the fiscal quarter ended October 31, 2000 (the "Company's 10-Q"), each as filed with the SEC pursuant to the Exchange Act. More comprehensive financial information is included in such reports (including management's discussion and analysis of financial condition and results of operation) and other documents filed by the Company with the SEC, and the following summary is qualified in its entirety by reference to such reports and other documents along with all of the financial information and notes contained therein. Copies of such reports and other documents may be examined at or obtained from the SEC in the manner set forth above.

LITTON INDUSTRIES, INC. AND SUBSIDIARIES
SELECTED CONSOLIDATED FINANCIAL INFORMATION
(In thousands, except per share data)

	3 Months Ended October 31		Year Ended July 31				
	2000	1999	2000	1999	1998	1997	1996
Sales and Service Revenues..............	$1,083.1	$1,000.0	$5,588.2	$4,827.5	$4,399.9	$4,175.5	$3,611.5
Total Segment Operating Profit.................	(1)	(1)	562.1	339.3	410.0	369.6	320.1
Earnings before Cumulative Effect of a Change in Accounting Principle.............	44.9	52.8	221.2	120.6	181.4	162.0	150.9
Earnings Per Share							
Basic.................	0.98	1.09	4.79	2.63	3.91	3.48	3.24
Diluted..............	0.97	1.07	4.74	2.58	3.82	3.40	3.15
Total Assets............	$4,279.5	(1)	$4,835.9	$4,260.1	(2)	(2)	(2)
Total Current Liabilities...........	1,108.4	(1)	1,531.4	1,709.3	(2)	(2)	(2)
Total Stockholders' Investment............	1,544.6	(1)	1,495.9	1,300.2	(2)	(2)	(2)

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(1) Not provided in the Company's 10-Q for the quarter ended October 31, 2000.

(2) Not provided in the Company's 10-K for the fiscal year ended July 31, 2000.

Although each of Parent and Purchaser has no knowledge that would indicate that any statements contained above taken from or based on such documents and records of the Company are untrue, neither Parent nor Purchaser can take responsibility for the accuracy or completeness of the information contained in such documents and records, of the Company or for any failure by the Company to disclose events which may have occurred or may affect the significance or accuracy of any such information but which are unknown to Parent or Purchaser.

Certain Projections

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

The projections provided to Parent by the Company included, among other things, the following forecasts of the Company'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 Parent by the Company 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. The Company has advised Parent that these projections do not give effect to customary processes of adjustment by senior management of projections provided by operating/divisional management.

The projections were prepared by the Company independently and provided to Parent prior to entering the Merger Agreement. The projections were not prepared by the Company with a view to public disclosure or compliance with published guidelines of the SEC, the guidelines established by the American Institute of Certified Public Accountants for Prospective Financial Information or generally accepted accounting principles. The Company's certified public accountants have not examined or compiled any of the projections. The projections were not prepared with the approval of the Company Board. The projections are included herein to give the Company's stockholders access to information that was not publicly available and that the Company provided to Parent.

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 the Company in the ordinary course and are based upon a variety of estimates and hypothetical assumptions made by management of the Company 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 the Company, 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 the Company's control. The Company'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, the Company'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 Merger Agreement, including the Offer and the 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 the Company, the inclusion of such projections herein should not be regarded as an indication that the Company, Parent, Purchaser 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. None of such persons assumes any responsibility for the reasonableness, completeness, accuracy or reliability of such projections. 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.

9. Certain Information Concerning Parent and Purchaser.

Purchaser is a Delaware corporation and, to date, has engaged in no activities other than those incident to its formation and the Offer and the Merger. Purchaser is currently a wholly owned subsidiary of Parent. The principal executive offices of Purchaser are located at 1840 Century Park East, Los Angeles, California 90067 and Purchaser's telephone number is (310) 553-6262.

Parent is a Delaware corporation with its principal executive offices located at 1840 Century Park East, Los Angeles, California 90067. The telephone number of Parent is (310) 553-6262. Parent is an advanced technology company operating in the Integrated Systems Sector ("ISS"), Electronic Systems and Sensors Sector ("ES/3/") and Information Technology ("Logicon") segments of the broadly defined aerospace and defense industry. The ISS segment includes the design, development and manufacturing of aircraft and aircraft subassemblies. The ES/3/ segment includes the design, development, manufacturing and integration of electronic systems and components for military and commercial use. Logicon, Parent's information technology segment, includes the design, development, operation and support of computer systems for scientific and management information.

The name, citizenship, business address, principal occupation or employment and five-year employment history for each of the directors and executive officers of Parent and Purchaser and certain other information are set forth in Schedule I to this Offer to Purchase.

Except as described elsewhere in this Offer to Purchase, (i) none of Parent, Purchaser nor, to the best knowledge of Parent and Purchaser, any of the persons listed in Schedule I to this Offer to Purchase or any associate or majority-owned subsidiary of Parent or Purchaser or any of the persons so listed beneficially owns or has any right to acquire, directly or indirectly, any Common Shares or Preferred Shares; and (ii) none of Parent, Purchaser nor, to the best knowledge of Parent and Purchaser, any of the persons or entities referred to above nor any director, executive officer or subsidiary of any of the foregoing has effected any transaction in the Common Shares or Preferred Shares during the past 60 days.

Except as provided in the Merger Agreement or as otherwise described in this Offer to Purchase, none of Parent, Purchaser nor, to the best knowledge of Parent and Purchaser, any of the persons listed in Schedule I to this Offer to Purchase, has any contract, arrangement, understanding or relationship with any other person with respect to any securities of the Company, including, but not limited to, any contract, arrangement, understanding or relationship concerning the transfer or voting of 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 set forth in this Offer to Purchase, (i) none of Parent, Purchaser nor, to the best knowledge of Parent and Purchaser, any of the persons listed on Schedule I hereto, has had any business relationship or transaction with the Company or any of its executive officers, directors or affiliates that is required to be reported under the rules and regulations of the SEC applicable to the Offer, and (ii) there have been no contracts, negotiations or transactions between Parent or any of its subsidiaries or, to the best knowledge of Parent, any of the persons listed in Schedule I to this Offer to Purchase, on the one hand, and the Company 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.

None of the persons listed in Schedule I to this Offer to Purchase has, during the past five years, been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors). None of the persons listed in Schedule I has, during the past five years, been a party to any judicial or administrative proceeding (except for matters that were dismissed without sanction or settlement) that resulted in a judgment, decree or final order enjoining the person from future violations of, or prohibiting activities subject to federal or state securities laws, or a finding of any violation of federal or state securities laws.

In the normal course of their business, Parent and the Company are parties to transactions and agreements. During the two years ended October 31, 2000, no such transaction had an aggregate value in excess of one percent of the Company's consolidated revenues.

10. Source and Amount of Funds.

The Offer is not conditioned upon any financing arrangements.

Parent and Purchaser estimate that the total amount of funds required to purchase all of the outstanding Common Shares and Preferred Shares that Parent or its affiliates do not own pursuant to the Offer and the Merger and to pay related fees and expenses will be approximately $4.0 billion. Purchaser expects to obtain the funds necessary to consummate the Offer and the Merger from Parent. Parent has received a commitment letter from Credit Suisse First Boston ("CSFB") and The Chase Manhattan Bank ("Chase") providing for the structure, arrangement and syndication of senior unsecured loans (the "Loans") of up to $6.0 billion, the initial proceeds of which will be used solely to acquire Common Shares and Preferred Shares in the Offer and the Merger, to retire and refinance certain outstanding debt of the Company and to pay any related expenses. The proceeds of subsequent borrowings under the Loans will be used for general corporate purposes of Parent and the Company. The Loans will be in the form of a 364-day Revolving Credit Facility and a separate Five-Year Revolving Credit Facility, each in an aggregate maximum principal amount of $3.0 billion. Each of the facilities will be an unsecured senior credit facility and will contain usual and customary affirmative and negative covenants, customary financial covenants (including (a) maximum ratios of Funded Debt to Total Capitalization, (b) maximum ratios of Funded Debt to Cash Flow and (c) minimum ratios of Cash Flow minus Capital Expenditures to Fixed Charges). Events of Default will include (i) failure to pay principal, interest or other amounts, (ii) breach of representations and warranties, (iii) breach of covenants, (iv) certain bankruptcy events, (v) cross default and cross acceleration, (vi) certain ERISA matters, (vii) certain judgments and (viii) change in control events, which will be defined in the final documents for the Loans. Interest rates for the Loans will be Adjusted LIBOR (which will at all times include statutory reserves) or the Adjusted Base Rate (defined as the higher of Chase's Prime Rate and the Federal Funds Effective Rate plus 0.5%), at the election of Parent, in each case plus spreads depending upon a schedule of certain specified Standard & Poor's and Moody's Investor Services ratings of Parent. Parent 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 negotiated while the Offer is outstanding and signed on or before the Expiration Date. No alternate financing plans exist.

11. Background of the Offer; Past Contacts or Negotiations with the Company.

In May 2000, Kent Kresa, Chairman and Chief Executive Officer of Parent, and Michael Brown, Chairman and Chief Executive Officer of the Company, 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 Parent would have an interest in acquiring the Company in a transaction in which the holders of Common Shares would receive a combination of cash and stock having a value equivalent, on a per share basis, to 0.70 of a share of Parent common stock. Subsequent to the conversation, a representative of Parent was advised that the Company did not wish to pursue the proposal.

On October 20, 2000, the Company 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 Parent's interest in an acquisition of the Company in a transaction involving cash and stock valued at 0.70 of a share of Parent common stock, for each Common Share. Mr. Kresa pointed out that the sale of the advanced electronics group would be inconsistent with Parent's plans for the combined company and would diminish Parent's interest in the combination. In response, Mr. Brown advised Mr. Kresa that the transaction value proposed by Parent was not sufficient for the Company Board to support such a transaction.

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

Following a meeting of the Company Board on November 3, 2000, Mr. Brown again advised Mr. Kresa that the value proposed by Parent was considered insufficient by the Company Board. 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 the Company's stockholders with a combination of cash and stock valued at 0.75 of a share of Parent common stock plus a contingent value instrument which would provide the Parent's stockholders with 75% of the net after-tax recovery in Parent'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 Common Share.

Following further discussions and negotiations and the exchange of additional non-public information between the parties, the board of directors of Parent met on December 20, 2000 and unanimously approved the Merger Agreement. The Company Board met on December 21, 2000 and also approved the Merger Agreement and determined unanimously that the transactions contemplated thereby, including the Offer and the Merger, were fair to, and in the best interests of, the holders of Common Shares of the Company.

On December 21, 2000, the Merger Agreement was executed by Parent, Purchaser and the Company, and Parent and the Company issued a joint press release announcing the transaction.

On January 5, 2001, Parent commenced the Offer.

12. The Merger Agreement; Other Arrangements.

The Merger Agreement

The following is a summary of the material provisions of the Merger Agreement, a copy of which is filed as an exhibit to the Tender Offer Statement on Schedule TO (the "Schedule TO") filed by Parent and Purchaser on January 5, 2001 with the SEC in connection with the Offer. The following summary may not contain all of the information important to you, and is qualified in its entirety by reference to the Merger Agreement, which is deemed incorporated by reference in this Offer to Purchase. Accordingly, we encourage you to read the entire Merger Agreement. The Merger Agreement may be examined and copies may be obtained from the SEC in the same manner as set forth in Section 7 of this Offer to Purchase entitled "Certain Information Concerning the Company." Capitalized terms used in the following summary and not otherwise defined in this Offer to Purchase shall have the respective meanings set forth in the Merger Agreement.

The Offer. The Merger Agreement provides that Purchaser will commence the Offer and that, upon the terms and subject to prior satisfaction or waiver of the Minimum Tender Condition and the other conditions of the Offer, as set forth in Section 16 of this Offer to Purchase entitled "Certain Conditions of the Offer," Purchaser will purchase all Common Shares and Preferred Shares validly tendered and not properly withdrawn pursuant to the Offer. The Merger Agreement further provides that, without the prior written consent of the Company, Purchaser will not: (i) decrease the Common Offer Price or the Preferred Offer Price, (ii) change the form of consideration payable in the Offer, (iii) decrease the number of Common Shares or Preferred Shares sought to be purchased in the Offer, (iv) impose additional conditions to the Offer other than those set forth in the Merger Agreement, (v) amend any other term of the Offer in any manner adverse to the holders of Common Shares or Preferred Shares, (vi) reduce the time period during which the Offer shall remain open or (vii) waive the Minimum Tender Condition.

Pursuant to the Merger Agreement, Parent may, without the consent of the Company, cause Purchaser to: (i) extend the Offer from time to time in its sole discretion, if at the then-scheduled expiration of the Offer, any of the conditions to the Offer have not been satisfied or waived, for such amount of time as is reasonably necessary to cause such Offer conditions to be satisfied, but not to exceed five business days for each such extension, (ii) extend the Offer for any period required by any rule, regulation, interpretation or position of the SEC or the staff of the SEC applicable to the Offer, or (iii) extend the Offer for a subsequent offering period (as provided in Rule 14d-11 under the Exchange Act) of up to twenty business days beyond the latest expiration date that would otherwise be permitted under clause (ii) of this sentence in order to acquire over 90% of the outstanding Common Shares or over 90% of the outstanding Preferred Shares. Parent has agreed to cause Purchaser to extend the Offer as permitted by the Merger Agreement for the shortest time periods which it reasonably believes are necessary until the consummation of the Offer if the conditions to the Offer have not been satisfied or waived so long as the Merger Agreement has not been terminated pursuant to its terms.

Directors. The Merger Agreement provides that promptly upon the acceptance for payment of any Common Shares pursuant to the Offer, Purchaser shall be entitled to designate that number of directors on the Company Board (rounded to the next whole number that constitutes at least a majority of the members of the Company Board) that equals the product of (i) the total number of directors on the Company Board (giving effect to the election of any additional directors pursuant to the Merger Agreement), and (ii) the percentage that the number of Common Shares so purchased bears to the total number of Common Shares outstanding. The Company has agreed to use all reasonable efforts, upon Purchaser's request, promptly to cause Purchaser's designees to be elected or appointed to the Company Board, including, at the Company's election, increasing the number of directors or securing resignations of incumbent directors. At such time, to the extent requested by Purchaser, the Company will use its best efforts to cause Purchaser's designees to constitute at least a majority on each committee of the Company Board, other than any committee of the Company Board established to take action under the Merger Agreement. Notwithstanding the foregoing, the Company will use all reasonable efforts to ensure that, prior to the Effective Time, the Company will retain at least three directors who were directors of the Company on the date of the Merger Agreement (the "Continuing Directors"); provided, however, that if there are fewer than three Continuing Directors for any reason, the Continuing Directors or, if there is only one Continuing Director, that

director, shall be entitled to designate a person or persons to fill such vacancy or vacancies. The Company's obligation to appoint designees to the Company Board is subject to certain provisions of the Exchange Act. From and after the time that Purchaser's designees are elected or appointed to the Company Board until the Effective Time, the approval of a majority of the Continuing Directors shall be required to authorize: (i) any termination of the Merger Agreement by the Company, (ii) any amendment of the Merger Agreement, (iii) any extension by the Company of time for performance of any of the obligations or actions of Parent or Purchaser under the Merger Agreement, (iv) any waiver of any of the Company's rights under the Merger Agreement and (v) any other action which adversely affects the holders of the Common Shares or the Preferred Shares (other than Parent or Purchaser).

The Merger. The Merger Agreement provides that, subject to the terms and conditions of the Merger Agreement, at the Effective Time, Purchaser will be merged with and into the Company in accordance with the applicable provisions of the DGCL. Following the Merger, the separate existence of Purchaser will cease and the Company will continue as the surviving corporation (the "Surviving Corporation"). The Company, as the Surviving Corporation, will succeed to and assume all of the rights and obligations of both the Company and Purchaser. Also, the Bylaws of the Company in effect upon the consummation of the Merger will be the Bylaws of the Surviving Corporation and the Restated Certificate of Incorporation of the Company will be the Certificate of Incorporation of the Surviving Corporation; provided, however, that Article Fourth, Section 1 of the Restated Certificate of Incorporation of the Company shall be amended in its entirety to read as follows: "The Corporation shall 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." In addition, following the Merger, the directors of Purchaser will become the initial directors of the Surviving Corporation and the officers of the Company will become the initial officers of the Surviving Corporation. The Merger Agreement provides that the closing of the Merger will take place as promptly as practicable but in no event later than the second business day after the satisfaction or waiver of the conditions to the Merger. At the closing, the Company, Parent and Purchaser will file the necessary documents with Delaware public officials to make the Merger effective.

Conversion of Common Shares. At the Effective Time, each Common Share issued and outstanding immediately prior to the Effective Time (excluding (i) Common Shares held in the Company's treasury or by any of the Company's subsidiaries, (ii) Common Shares held by Parent, Purchaser or any other subsidiary of Parent and (iii) Common Shares held by dissenting shareholders who have perfected their appraisal rights) will, by virtue of the Merger and without any action on the part of Purchaser, the Company or the holder, be converted into and become the right to receive an amount of cash, without interest, equal to the Merger Consideration. At the Effective Time, each Common Share held in the treasury of the Company and each Common Share held by Parent, Purchaser or any subsidiary of Parent, Purchaser or any subsidiary of the Company immediately prior to the Effective Time will, without any action on the part of Purchaser, the Company or the holder, be canceled and retired and will cease to exist, and no payment shall be made with respect thereto. Moreover, at the Effective Time, each share of common stock of Purchaser, par value $0.01 per share, issued and outstanding immediately prior to the Effective Time will be converted into and become 3,000 shares of common stock, par value $1.00 per share, of the Surviving Corporation.

Preferred Shares. At the Effective Time, each issued and outstanding Preferred Share shall remain outstanding, without any change, as a share of the Series B $2 Cumulative Preferred Stock, par value $5.00 per share, of the Surviving Corporation.

Company Stock Options. As of the Effective Time, each outstanding option to purchase Common Shares (a "Company Stock Option" or collectively, "Company Stock Options") that has been granted pursuant to any Company stock option plan (the "Company Plans"), that is then vested (each, an "A Option") will be canceled and each A Option will become the right to receive an amount, without interest, in cash (less any applicable tax withholding) equal to the number of Common Shares subject to such Company Stock Option immediately prior to the Effective Time, multiplied by the excess, if any, of the Merger Consideration over the exercise price per Common Share of such Company Stock Option. The Company shall provide holders of A Options the opportunity to elect, before the Effective Time, to have some or all of their A Options to be converted into

options to acquire Parent Common Shares as if they were B Options, as described below. As of the Effective Time, each outstanding Company Stock Option that is not an A Option (each, a "B Option") shall be converted into an option to purchase shares of common stock of Parent, on the same terms and conditions as were applicable under such B Option, in an amount equal to the number of Common Shares subject to such B Option times a fraction, the numerator of which is the Merger Consideration and the denominator of which is the average of the high and low trading prices of the shares of common stock of Parent on the New York Stock Exchange during normal business hours on the day on which the Effective Time occurs; provided, however, that in the case of any B Option to which Section 421 of the Code applies by reason of its qualification under Section 422 of the Code, the option price, the number of shares purchasable pursuant to such option and the terms and conditions of exercise of such option shall be determined in order to comply with Section 424(a) of the Code. Pursuant to the Merger Agreement, the parties have agreed to cooperate to take all reasonable steps necessary to effect the foregoing.

Representations and Warranties. The Merger Agreement contains customary representations and warranties of the parties. These include representations and warranties of the Company with respect to, among other things, organization and qualification, capitalization, subsidiaries, authority, SEC filings, financial statements, governmental approvals, compliance with laws, litigation, intellectual property and trade secrets, employment matters, environmental laws and regulations and tax matters. The Merger Agreement also contains customary representations and warranties of Parent and Purchaser, including among other things, organization and qualification, authority and financing. The representations and warranties contained in the Merger Agreement expire at the Effective Time of the Merger.

Conduct of Business. From the date of the Merger Agreement until the Effective Time, unless Parent consents in writing, which consent may not be unreasonably withheld, and except for as contemplated by the Merger Agreement or in a schedule attached thereto, the Company has agreed not to, and to cause each of its subsidiaries not to: (i) amend its Restated Certificate of Incorporation or Bylaws or similar organizational documents, (ii) authorize for issuance, issue, sell, deliver or agree or commit to issue, sell or deliver any shares of any class of capital stock or any other securities (other than bank loans) or equity equivalents, with limited exceptions, (iii) split, combine or reclassify any shares of its capital stock, declare, set aside or pay any dividend or other distribution in respect of its capital stock or otherwise make any payments to its stockholders in their capacity as stockholders or redeem or acquire any of its securities or any securities of any of its subsidiaries, except for the payment of dividends in respect of the Preferred Shares and the payment of dividends or distributions by a wholly-owned subsidiary of the Company to the Company or another wholly-owned subsidiary of the Company, (iv) adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization of the Company or any of its subsidiaries (other than the Merger), (v) alter through merger, liquidation, reorganization, restructuring or any other fashion the corporate structure of ownership of any subsidiary (other than as permitted by the Merger Agreement), (vi) incur or become liable or responsible for indebtedness for borrowed money or issue debt securities or make any loans or advances to or investments in any other person or mortgage, pledge or otherwise encumber shares of capital stock of the Company or its subsidiaries or any of the Company's material assets, except as permitted under the Merger Agreement, (vii) 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, except as permitted under the Merger Agreement, (viii) acquire, sell, lease, or dispose of any assets in any transaction or series of related transactions having a fair market value in excess of $10,000,000 in the aggregate, other than in the ordinary course of business or as permitted under the Merger Agreement, (ix) materially change any of its accounting principles or practices, except as required by a change of law or generally accepted accounting principles, (x) revalue in any material respect any of its assets other than in the ordinary course of business or as required by generally accepted accounting principles, (xi) acquire any corporation, partnership or other business organization or division thereof or equity interest therein or enter into any contract or agreement other than in the ordinary course of business consistent with past practice that would be material to the Company and its subsidiaries, taken as a whole or

authorize any capital expenditures in excess of $10,000,000 individually or $210,000,000 in the aggregate, (xii) make any material tax election or settle or compromise any income tax liability material to the Company and its subsidiaries taken as a whole, except in the ordinary course of business consistent with past practice, (xiii) settle or compromise any pending or threatened suit, action or claim which relates to the transactions contemplated by the Merger Agreement or the settlement or compromise of which would have a Company Material Adverse Effect (as defined in the Merger Agreement), (xiv) commence or terminate any material research and/or development project, except as permitted under the Merger Agreement, (xv) amend the Company Rights Agreement in any way that would permit any person other than Parent or its affiliates to acquire more than 15% of the Common Shares or redeem the rights issuable under the Rights Plan established thereunder, or (xvi) take or agree in writing to take any of the foregoing actions.

Stockholder Approval. If Company stockholder approval of the Merger is required by law, the Company has agreed to, as promptly as practicable following the expiration of the Offer, duly call, give notice of, convene and hold a meeting of its stockholders (the "Stockholders Meeting") for the purpose of obtaining such approval. If a Stockholders Meeting is required, the Company will use all reasonable efforts to prepare and file a Proxy Statement (the "Proxy Statement") with the SEC and shall use all reasonable efforts to obtain and furnish the information required to be included in the Proxy Statement and, after consultation with Parent and Purchaser, respond promptly to any comments of the SEC or its staff with respect to the Proxy Statement or any preliminary version of the Proxy Statement and to cause the Proxy Statement to be mailed to the Company's stockholders as promptly as practicable after the expiration or termination of the Offer. Subject to its fiduciary duties under applicable law and after consultation with counsel, the Company shall, through the Company Board, recommend that the stockholders of the Company vote in favor of the approval and adoption of the Merger Agreement and the Merger. At the Stockholders Meeting, Parent, Purchaser and their subsidiaries will vote all Common Shares and all Preferred Shares owned by them in favor of approval and adoption of the Merger Agreement and in favor of the Merger.

Access to Information. The Merger Agreement provides that from the date of the Merger Agreement until the Effective Time, the Company will, and will cause each of its subsidiaries to, give Parent and its representatives reasonable access, during normal business hours, to the employees, plants, offices, warehouses and other facilities, books and records of the Company and its subsidiaries, and will furnish to Parent and its representatives financial and operating data and other information concerning the business of the Company and its subsidiaries as Parent may reasonably request. All information obtained by the Parent and its representatives will be kept confidential in accordance with the confidentiality provisions of the Confidentiality Agreement between Parent and the Company. Between the date of the Merger Agreement and the Effective Time, the Company has agreed to furnish to Parent with certain quarterly statements of financial information.

Further Actions. Pursuant to the Merger Agreement, each of Parent, Purchaser and the Company has agreed to use all reasonable efforts to take, or cause to be taken, all reasonable actions necessary, proper or advisable, and to reasonably cooperate with each other in order to consummate and make effective the transactions contemplated by the Merger Agreement, including using all reasonable efforts: (i) to obtain all necessary waivers, consents and approvals from other parties to material loan agreements, leases and other contracts, (ii) to obtain all consents, approvals and authorizations that are required to be obtained under any federal, state, local or foreign law or regulation, (iii) to lift or rescind any injunction or restraining order or other order adversely affecting the ability of the parties to the Merger Agreement to consummate the transactions contemplated thereby, (iv) 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, without limitation, the Antitrust Division of the United States Department of Justice (the "Antitrust Division"), the Federal Trade Commission (the "FTC"), any State Attorney General, or the European Commission, and (v) to fulfill all conditions to the Merger Agreement. Parent, Purchaser and the Company have further covenanted and agreed, with respect to 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 the Merger Agreement to consummate the transactions contemplated thereby, to use efforts to prevent the entry, enactment or promulgation thereof, as the case may be. In furtherance

and not in limitation of the foregoing, the Company, Parent and Purchaser shall use their respective best efforts to resolve such objections, if any, as may be asserted with respect to the transactions contemplated by the Merger Agreement under any antitrust, competition or trade regulatory laws of any domestic or foreign government or governmental authority or any multinational authority, or any regulations issued thereunder. Without limiting the foregoing, if requested by any governmental authority, Parent and the Company shall agree to divest, sell, dispose, or otherwise take or commit to take any action that limits its freedom of action with respect to any of the businesses, product lines or assets of Parent or its affiliates, the Company or its affiliates, provided that any such action would not have a material adverse effect on the business, assets, long-term earning capacity or financial condition of Parent and the Company (and their subsidiaries), taken as a whole.

Inquiries and Negotiations. The Merger Agreement provides that the Company and its subsidiaries will, and will cause their respective officers, directors, employees, representatives or agents to, refrain from directly or indirectly, encouraging, soliciting, participating in, initiating discussions or negotiations with, and to immediately cease any discussions or negotiations with, or providing any information or data to anyone (other than Parent, Purchaser or any designees of either entity) concerning any Third Party Acquisition. The term "Third Party Acquisition" means: (i) the acquisition of the Company by merger or otherwise by any person (including a "person" as such term is defined under Section 13(d)(3) of the Exchange Act) other than Parent, Purchaser, or any affiliate of Parent or Purchaser (each, a "Third Party"), (ii) the acquisition by a Third Party of all or a major part of any of the Company's business segments, as identified in the Company's SEC Reports or more than 20% of the total assets of the Company and its subsidiaries taken as a whole, (iii) the acquisition by a Third Party of 20% or more of the outstanding Common Shares, (iv) the adoption by the Company of a plan of liquidation or the declaration or payment of an extraordinary dividend, (v) the repurchase by the Company or any of its subsidiaries of more than 20% of the outstanding Common Shares, or (vi) the acquisition by the Company or any subsidiary 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 the Company.

Notwithstanding the above, (i) nothing in the Merger Agreement prevents the Company Board from taking and disclosing to the Company's stockholders a position contemplated by Rules 14d-9 and 14e-2 promulgated under the Exchange Act with regard to any tender offer, (ii) if the Company receives an unsolicited written proposal for a Third Party Acquisition from a Third Party, nothing in the Merger Agreement prevents the Company or its representatives from making such inquiries or conducting such discussions as the Company Board, after consultation with and based upon the advice of, legal counsel, may deem necessary to inform itself for the purpose of exercising its fiduciary duties, and (iii) if the Company receives an unsolicited written proposal for a Third Party Acquisition from a Third Party that the Company Board by a majority vote determines in its good faith judgment (after receiving the advice of a financial advisor of nationally recognized reputation) is reasonably likely to constitute a Superior Proposal (as defined hereafter), the Company and its representatives may conduct such additional discussions or provide such information as the Company Board shall determine, but only if, prior to such provision of information or additional discussion (A) such Third Party shall have entered into a confidentiality and standstill agreement substantially in the form of the Confidentiality Agreement between Parent and the Company and (B) the Company Board by a majority vote determines in its good faith judgment, after consultation with and based upon the advice of, legal counsel that it is required to do so in order to comply with its fiduciary duties. The Company shall promptly notify the Parent in the event it receives any proposal or inquiry concerning a Third Party Acquisition including the terms and conditions thereof and the identity of the party submitting such proposal; and the Company shall advise the Parent from time to time of the status and any material developments concerning the same. The term "Superior Proposal" means any bona fide proposal to acquire, directly or indirectly, for consideration consisting of cash and/or securities, more than 50% of the Common Shares then outstanding or all or substantially all of the assets of the Company and otherwise on terms which the Company Board by a majority vote determines in its good faith judgment (after receiving the advice of a financial advisor of nationally recognized reputation) to be more favorable to the Company's stockholders, from a financial point of view, than the Merger.

The Company Board may not withdraw, change or modify its recommendation of the transactions contemplated by the Merger Agreement or approve or recommend, or cause the Company to enter into any agreement with respect to, any Third Party Acquisition unless, by a majority vote, it determines in its good faith judgment, after consultation with and based upon the advice of, legal counsel that it is required to do so in order to comply with its fiduciary duties, but in each case only (i) after providing written notice to Parent (a "Notice of Superior Proposal") advising Parent that the Company Board has received a Superior Proposal, specifying the material terms and conditions of such Superior Proposal and identifying the person making such Superior Proposal, (ii) if Parent does not, within five business days of Parent's receipt of the Notice of Superior Proposal, make an offer which the Company Board by a majority vote determines in its good faith judgment (after receiving the advice of a financial advisor of nationally recognized reputation) to be as favorable to the Company's stockholders as such Superior Proposal and (iii) in connection with entering into an agreement with respect to a Superior Proposal, after the Merger Agreement is terminated in accordance with its terms and the Company has paid all amounts due to Purchaser pursuant to the Merger Agreement.

If the Merger Agreement is terminated for any one of the following reasons: (i) by the Parent and Purchaser because the Company Board enters into, or recommends to the Company's stockholders, a Superior Proposal, (ii) by the Parent and Purchaser because the Company Board withdraws, modifies, or changes its approval or recommendation of the Merger Agreement or the Offer or the Merger or adopts any resolution to effect any of the foregoing, (iii) by the Parent and Purchaser because a Third Party Acquisition occurs after December 21, 2000, provided that, for purposes of termination only, a Third Party Acquisition as defined in clause (iii) of the definition of such term shall be deemed to occur only upon acquisition by a Third Party of 50% or more of the outstanding Common Shares, (iv) by the Company because the Company receives a Superior Proposal and resolves to accept such Superior Proposal, but only if the Company has acted in accordance with, and has complied with the terms of the Merger Agreement, including the notice provisions therein, and the Company has paid all amounts due to Purchaser pursuant to the Merger Agreement, (v) by the Parent and Purchaser because the Company breaches a covenant or agreement under the Merger Agreement that would have a Company Material Adverse Effect, or that would have a material adverse effect on, or materially delay, the consummation of the Offer, or the Merger and such breach is not cured within twenty days after notice from Parent and Purchaser (and neither Parent nor Purchaser has breached any of its obligations under the Merger Agreement) and within twelve months thereafter the Company enters into an agreement with respect to a Third Party Acquisition or a Third Party Acquisition occurs involving any party (or an affiliate thereof) (A) with whom the Company (or its agents) had negotiations with a view to a Third Party Acquisition, (B) to whom the Company (or its agents) furnished information with a view to a Third Party Acquisition, or (C) who had submitted a proposal for a Third Party Acquisition, in the case of (A), (B) and (C), after December 21, 2000 and prior to such termination, or (vi) by Parent and Purchaser or the Company because the purchase of Common Shares pursuant to the Offer has not been consummated by September 15, 2001 (provided that no party may terminate the Merger Agreement if that party's failure to fulfill any of its obligations under the Merger Agreement is the reason that the purchase of Common Shares has not occurred before that date) at a time when the Minimum Tender Condition is not satisfied, there is outstanding a publicly announced offer by a Third Party to consummate a Third Party Acquisition, and no other condition to the Offer is unsatisfied, and within twelve months thereafter the Company 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; then, the Company shall pay to Parent or its designated beneficiary within three business days following the occurrence of one of the foregoing, or upon the entering into of the agreement for a Third Party Acquisition or the occurrence of the Third Party Acquisition, as the case may be, a fee of $110 million in cash. Any fee paid as a result of the foregoing represents liquidated damages and not a penalty.

Indemnification. For six years after the Effective Time, the Surviving Corporation shall provide each person who is, or prior to the date of the Merger Agreement was, or prior to the Effective Time becomes, a director or officer of the Company (the "Indemnified Persons"), directors' and officers' liability insurance that provides coverage for events occurring prior to the Effective Time that is no less favorable than the Company's existing policy; provided, however, that the Surviving Corporation shall not be required to pay an annual

premium for the coverage in excess of 300% of the last annual premium paid by the Company prior to the date of the Merger Agreement. After the Effective Time, Parent and the Surviving Corporation shall indemnify and hold harmless each Indemnified Person against all losses, claims, damages, costs, expenses (including without limitation counsel fees and expenses), settlement payments or liabilities arising out of or in connection with the fact that such person is or was an officer or director of the Company or any of its subsidiaries, or pertaining to the Merger Agreement or the transactions contemplated by the Merger Agreement, in each case to the fullest extent required or permitted under applicable law or under the Surviving Corporation's Certificate of Incorporation or Bylaws.

Employee Benefit Matters. The Merger Agreement provides that from and after the Effective Time, Parent will assume and honor, and cause the Company to honor all material Employee Plans (as defined in the Merger Agreement) and Employment Agreements (as defined in the Merger Agreement), in accordance with their terms as in effect immediately before the Effective Time. For a period of not less than two years from and after the Effective Time, Parent shall cause the current and former employees of the Company and its subsidiaries ("Company Employees") to be provided with compensation and employee benefits that are, in the aggregate, not less favorable than those provided to Company Employees immediately before the Effective Time. For all purposes under the employee benefit plans of Parent and its subsidiaries which provide benefits to any Company Employee after the Effective Time, each Company Employee will be credited with all years of service for which such Company Employee was credited under comparable Company Employee Plans, except to the extent that such service credits would result in a duplication of benefits. In addition, from and after the Effective Time, Parent shall assume and honor, and shall cause the Surviving Corporation to honor, the obligations of the Company to provide lifetime benefits under the Company's Supplemental Medical Insurance Plan to certain individuals specified in the Merger Agreement and Parent also agrees not to demand, and to cause the Surviving Corporation not to demand, repayment of the loans currently outstanding under the Company's Incentive Loan Program before December 31, 2001. Further, Parent will continue, or cause the Surviving Corporation to continue, certain executive life insurance policies specified in the Merger Agreement in effect for the remaining lifetime of the retired executive officers covered by such insurance policies.

Conditions to the Merger. The respective obligations of the Company, Parent and Purchaser to complete the Merger are subject to the fulfillment of the following conditions: (i) the Merger Agreement having been duly approved and adopted, if required, by the requisite vote of the stockholders of the Company, (ii) no statute, rule, regulation, executive order, decree, ruling or injunction having been enacted, entered, promulgated or enforced by any United States court or United States or European Union governmental authority which prohibits, restrains or enjoins the consummation of the Merger, (iii) any waiting period applicable to the Merger under the HSR Act having terminated or expired and to the extent required, the Commission of the European Union having approved the Merger under Council Regulation (EEC) No. 4064/89 of the Council of the European Union, or such approval having been deemed to have been granted, and (iv) Purchaser having accepted for payment and paid for Common Shares pursuant to the Offer.

Termination and Abandonment. The Merger Agreement may be terminated and the Merger abandoned at any time prior to the Effective Time as follows: (i) by mutual written consent of the Company, Parent and Purchaser, (ii) by either the Company or Parent and Purchaser, if any court of competent jurisdiction in the United States or other United States or European Union governmental authority has issued a final order, decree or ruling or taken any other final action restraining, enjoining or otherwise prohibiting the Offer or the Merger and such order, decree, ruling or other action is or has become final and nonappealable or the purchase of Common Shares pursuant to the Offer has not been consummated by September 15, 2001 (provided that no party may terminate the Merger Agreement if that party's failure to fulfill any of its obligations under the Merger Agreement is the reason that the purchase of Common Shares has not occurred before that date), (iii) by the Company if a representation or warranty of Parent or Purchaser in the Merger Agreement is breached or becomes untrue or if Parent or Purchaser breaches a covenant or agreement under the Merger Agreement that would have a Parent Material Adverse Effect (as defined in the Merger Agreement) or which would materially adversely affect or delay, the consummation of the Offer or the Merger and such breach is not cured within twenty business days

after notice from the Company (and the Company has not breached any of its obligations under the Merger Agreement), (iv) by Parent and Purchaser if: (A) a representation or warranty of the Company in the Merger Agreement is breached or becomes untrue, in either such case such that the conditions set forth in paragraph (e) of Annex A to the Merger Agreement are incapable of being satisfied by September 15, 2001, (B) the Company breaches a covenant or agreement under the Merger Agreement that would have a Company Material Adverse Effect, or that would materially adversely affect or delay, the consummation of the Offer, or the Merger and such breach is not cured within twenty business days after notice from Parent and Purchaser (and neither Parent nor Purchaser has breached any of its obligations under the Merger Agreement), (C) the Company Board enters into, or recommends to the Company's stockholders, a Superior Proposal, (D) the Company Board withdraws, modifies, or changes its approval or recommendation of the Merger Agreement or the Offer or the Merger or adopts any resolution to effect any of the foregoing, or (E) a Third Party Acquisition occurs after December 21, 2000, provided that, for purposes of termination only, a Third Party Acquisition as defined in clause (iii) of the definition of such term will be deemed to occur only upon acquisition by a Third Party of 50% or more of the outstanding Common Shares, (v) by the Company if the Company receives a Superior Proposal and resolves to accept such Superior Proposal, but only if the Company has acted in accordance with, and has complied with, the terms of the Merger Agreement, including the notice provisions therein, and the Company has paid all amounts due to Purchaser pursuant to the Merger Agreement. In the event of the termination of the Merger Agreement, except for the amounts described under the heading entitled "Inquiries and Negotiations," and any liability arising out of a breach of its covenants, agreements or obligations, no party shall have any liability to any other party or its stockholders or directors or officers, and the Merger Agreement shall become void and have no effect.

Publicity. The Company, Parent and Purchaser agree that they will not issue any press release or make any other public announcement concerning the Merger Agreement or the transactions contemplated thereby without consulting with the other party, except as may be required by law or obligations pursuant to any listing agreement with the New York Stock Exchange.

Amendment. The Merger Agreement may be amended by action taken the Company, Parent and Purchaser at any time before or after approval, if necessary, of the Merger by the stockholders of the Company but, after any such approval, no amendment shall be made that requires the approval of such stockholders under applicable law without such approval.

Waiver. Each of the Company, Parent and Purchaser may: (i) extend the time for the performance of any of the obligations or other acts of the other party, (ii) waive any inaccuracies in the representations and warranties of or any document provided by the other party, or (iii) waive compliance by the other party with any of the agreements or conditions contained in the Merger Agreement.

Going Private Transactions.

The Merger would have to comply with any applicable federal law operative at the time of its consummation including Rule 13e-3 under the Exchange Act which applies to certain "going private" transactions. If applicable, Rule 13e-3 requires, among other things, that certain financial information concerning the fairness of the Merger and the consideration offered to minority stockholders in the Merger be filed with the SEC and disclosed to stockholders prior to the consummation of the Merger. Purchaser does not believe that Rule 13e-3 will be applicable to the Merger unless the Merger is consummated more than one year after the termination of the Offer

Confidentiality Agreement.

The following is a summary of certain provisions of the Confidentiality Agreement. This summary does not purport to be complete and is qualified in its entirety by reference to the complete text of the Confidentiality Agreement, a copy of which is filed with the SEC as Exhibit (d)(2) to the Schedule TO and incorporated herein by reference. Capitalized terms not otherwise defined below shall have the meanings set forth in the Confidentiality Agreement. The Confidentiality Agreement may be examined and copies may be obtained at the

places and in the manner set forth in Section 7 of this Offer to Purchase entitled "Certain Information Concerning the Company."

The Confidentiality Agreement contains customary provisions pursuant to which, among other matters, Parent and the Company 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 (the "Confidential Information"), and to use the Confidential Information solely for the purpose of evaluating a possible transaction (the "Transaction") involving Parent and the Company, together with any of their subsidiaries or affiliates. Parent and the Company 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. Parent and the Company also agreed for the same period not to (i) acquire more than one percent of any securities of the other party or any of its subsidiaries, (ii) solicit proxies or consents with respect to the other party or any of its subsidiaries, (iii) seek to advise, control or influence the management, board of directors or policies of the other party or any of its subsidiaries, (iv) 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, (v) enter into any discussions or understandings with any third party with respect to any of the foregoing, or (vi) advise, assist or encourage any other person in connection with any of the foregoing.

Employment Agreement with Dr. Ronald D. Sugar

In connection with the Merger Agreement on December 21, 2000, Parent entered into an agreement with Ronald D. Sugar, President and Chief Operating Officer of the Company, by which Parent agreed to assume Dr. Sugar's existing employment agreement and change in control employment agreement with the Company (the "Sugar Employment Agreement"). In addition, Parent agreed that Dr. Sugar will become an elected Corporate Vice President of Parent and President of the Company after the Merger. The Sugar Employment Agreement provides that Dr. Sugar will defer until the later of (i) six months after the Merger, or (ii) December 31, 2001, certain rights he would otherwise have to terminate his employment and receive payments under his existing agreements with the Company.

13. Purpose of the Offer; Plans for the Company.

Purpose of the Offer. The purpose of the Offer is to acquire control of, and the entire common stock equity interest in, the Company. The purpose of the Merger is to acquire all outstanding Common Shares not tendered and purchased pursuant to the Offer. If the Offer is successful, Purchaser intends to consummate the Merger as soon as practicable following the satisfaction or waiver of each of the conditions to the Merger set forth in the Merger Agreement.

Preferred Shares. If two-thirds or more of the Preferred Shares are tendered for purchase in the Offer and Purchaser acquires such percentage of the Preferred Shares, Purchaser will have sufficient voting power to amend the terms of the Preferred Shares in accordance with the provisions set forth in the Company's Restated Certificate of Incorporation. If, after the Offer, there are less than 300 registered holders of Preferred Shares remaining, Purchaser currently anticipates that it will deregister and delist the Preferred Shares from the New York Stock Exchange. Parent and Purchaser do not intend to redeem any Preferred Shares that are not tendered and accepted by Purchaser for purchase in the Offer. However, following the Merger, Purchaser may seek to acquire the Preferred Shares 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 the Company, a subsequent merger, or otherwise.

Plans for the Company. Except as otherwise set forth in this Offer to Purchase, it is expected that, initially following the Merger, the business operations of the Company will be continued by the Surviving Corporation substantially as they are currently being conducted. The directors of Purchaser will be the initial directors of the Surviving Corporation, and the officers of the Company will be the initial officers of the Surviving Corporation. Upon completion of the Offer and the Merger, Parent intends to conduct a detailed review of the Company and its

assets, corporate structure, capitalization, operations, policies, management and personnel. After such review, Parent will determine what actions or changes, if any, would be desirable in light of the circumstances which then exist.

Except as described in this Offer to Purchase, neither Parent nor Purchaser has any present plans or proposals that would relate to or result in: (i) any extraordinary corporate transaction, such as a merger, reorganization or liquidation involving the Company or any of its subsidiaries, (ii) a purchase, sale or transfer of a material amount of assets of the Company or any of its subsidiaries, (iii) any change in the Company Board or management, including, but not limited to, any plans or proposals to change the number or term of directors or to fill any existing vacancies on the Company Board or to change any material term of the employment contract of any executive officer, (iv) any material change in the Company's capitalization, indebtedness or dividend policy, (v) any other material change in the Company's corporate structure or business, (vi) a class of securities being delisted from a national securities exchange or ceasing to be authorized to be quoted in an inter-dealer quotation system of a registered national securities association, or (vii) a class of equity securities of the Company becoming eligible for termination of registration pursuant to Section 12(g)(4) of the Exchange Act. Certain members of the Company's current management are not expected to continue with the Surviving Corporation following the Merger. See Sections 12 and 14 of this Offer to Purchase--"The Merger Agreement; Other Arrangements" and "Certain Effects of the Offer," respectively.

14. Certain Effects of the Offer.

Market for the Common Shares and Preferred Shares. The purchase of Common Shares and Preferred Shares pursuant to the Offer will reduce the number of holders of Common Shares and Preferred Shares and the number of Common Shares and Preferred Shares that might otherwise trade publicly and could adversely affect the liquidity and market value of the remaining Common Shares and Preferred Shares held by stockholders other than Purchaser. Purchaser cannot predict whether the reduction in the number of Common Shares or Preferred Shares that might otherwise trade publicly would have an adverse or beneficial effect on the market price for, or marketability of, the Common Shares or Preferred Shares or whether such reduction would cause future market prices to be greater or less than the Common Offer Price or the Preferred Offer Price, as the case may be.

Stock Quotation. Listing the Common Shares and Preferred Shares on the New York Stock Exchange is voluntary, so the Company may terminate such listing at any time. Neither Parent nor Purchaser has any intention to cause the Company to terminate the inclusion of the Common Shares or Preferred Shares on the New York Stock Exchange prior to the Merger. However, depending upon the number of Common Shares and Preferred Shares purchased pursuant to the Offer, the Common Shares and/or Preferred Shares may no longer meet the standards for continued inclusion on the New York Stock Exchange. According to its published guidelines, the New York Stock Exchange would give consideration to delisting the Common Shares or Preferred Shares if, among other things, the number of publicly held Common Shares or Preferred Shares, as the case may be, falls below 600,000, the number of holders of round lots of Common Shares or Preferred Shares falls below 400 (or below 1,200 if the average monthly trading volume is below 100,000 for the last twelve months). Common Shares and Preferred Shares held by officers or directors of the Company or their immediate families, or by any beneficial owner of more than 10% or more of the Common Shares or Preferred Shares, ordinarily will not be considered as being publicly held for this purpose. In the event the Common Shares or Preferred Shares are no longer eligible for listing on the New York Stock Exchange, quotations might still be available from other sources. The extent of the public market for the Common Shares and the Preferred Shares and the availability of such quotations would, however, depend upon the number of holders of such shares at such time, the interest in maintaining a market in such shares on the part of securities firms, the possible termination of registration of such shares under the Exchange Act as described below and other factors. If, as a result of the purchase of Common Shares and/or Preferred Shares pursuant to the Offer, the Common Shares or Preferred Shares no longer meet the criteria for continued inclusion in the New York Stock Exchange, the market for the Common Shares or Preferred Shares, as the case may be, could be adversely affected.

If the New York Stock Exchange were to delist the Common Shares or Preferred Shares, it is possible that such shares would continue to trade on another securities exchange or in the over-the-counter market and that

price or other quotations would be reported by such exchange, or through the National Association of Securities Dealers Automated Quotation System, or other sources. The extent of the public market for such delisted shares and the availability of such quotations would depend upon such factors as the number of stockholders and/or the aggregate market value of the publicly traded shares remaining at such time, the interest in maintaining a market in the shares on the part of securities firms, the possible termination of registration under the Exchange Act (as described below) and other factors. We cannot predict whether the reduction in the number of Common Shares or Preferred Shares that might otherwise trade publicly would have an adverse or beneficial effect on the market price for or marketability of such shares or whether it would cause future market prices to be greater or less than the Common Offer Price or the Preferred Offer Price, as the case may be.

Exchange Act Registration. The Common Shares and Preferred Shares are currently registered under the Exchange Act. The purchase of the Common Shares and Preferred Shares pursuant to the Offer may result in the Common Shares and Preferred Shares becoming eligible for deregistration under the Exchange Act. Such registration of the Common Shares and Preferred Shares may be terminated upon application of the Company to the SEC if the Common Shares and Preferred Shares are not listed on a national securities exchange and there are fewer than 300 holders of record of the Common Shares and Preferred Shares. Termination of registration of the Common Shares and Preferred Shares under the Exchange Act would substantially reduce the information required to be furnished by the Company to its stockholders and to the SEC and would make certain provisions of the Exchange Act no longer applicable to the Company, such as the short-swing profit recovery provisions of Section 16(b) of the Exchange Act, the requirement of furnishing a proxy statement pursuant to Section 14(a) of the Exchange Act in connection with stockholders' meetings and the related requirement of furnishing an annual report to stockholders, and the requirements of Rule 13e-3 under the Exchange Act with respect to "going private" transactions. Furthermore, the ability of "affiliates" of the Company and persons holding "restricted securities" of the Company to dispose of such securities pursuant to Rule 144 promulgated under the Securities Act of 1933 may be impaired or eliminated. If registration of the Common Shares and Preferred Shares under the Exchange Act were terminated, the Common Shares and Preferred Shares would no longer be "margin securities" or be eligible for inclusion on the New York Stock Exchange.

Purchaser believes that the purchase of the Common Shares and Preferred Shares pursuant to the Offer may result in the Common Shares and Preferred Shares becoming eligible for deregistration under the Exchange Act and it would be the intention of Purchaser to cause the Company to make an application for termination of registration of the Common Shares and Preferred Shares as soon as possible after successful completion of the Merger, if the Common Shares and Preferred Shares are then eligible for such termination.

Margin Regulations. The Common Shares and Preferred Shares are currently "margin securities" under the Regulations of the Board of Governors of the Federal Reserve System (the "Federal Reserve Board"), which has the effect, among other things, of allowing brokers to extend credit on the collateral of the Common Shares and Preferred Shares. Depending upon factors similar to those described above regarding the market for the Common Shares and Preferred Shares and stock quotations, it is possible that, following the Offer, the Common Shares and Preferred Shares would no longer constitute "margin securities" for the purposes of the margin regulations of the Federal Reserve Board and therefore could no longer be used as collateral for loans made by brokers.

15. Dividends and Distributions.

The Merger Agreement provides that from the date of the Merger Agreement until the Effective Time, unless Parent has consented in writing, the Company may not declare, set aside or pay any dividend, make any other actual, constructive or deemed distribution or otherwise make any payments to its stockholders in their capacity as such, or redeem or otherwise acquire any of its securities or any securities of any of its subsidiaries, other than the dividends payable with respect to the Preferred Shares in the ordinary course.

16. Certain Conditions of the Offer.

Notwithstanding any other provision of the Offer (subject to the terms and conditions of the Merger Agreement), and subject to any applicable rules and regulations of the SEC including Rule 14e-l(c) under the Exchange Act relating to Purchaser's obligation to pay for or return any tendered Common Shares or Preferred Shares after termination of the Offer, Purchaser shall not be required to accept for payment or pay for Common Shares or Preferred Shares tendered pursuant to the Offer and may delay the acceptance for payment of any Common Shares or Preferred Shares if (i) less than 25,562,006 Common Shares and Preferred Shares, which represent a majority of the total outstanding Common Shares and Preferred Shares 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 similar statutes or regulations of a foreign jurisdiction has not expired or terminated prior to the expiration of the Offer, or if to the extent required, the Merger has not been approved by the Commission of the European Union under Council Regulation (EEC) No. 4064/89 of the Council of the European Union, or (iii) at any time after the date of the Merger Agreement and before the Expiration Date, 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 United States government or governmental authority or by any state, United States or European Union court or any agency or authority of the European Union, other than the routine application to the Offer, the Merger or other subsequent business combination of waiting periods under the HSR Act or Council 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 Common Shares illegal or otherwise prohibiting consummation of the Offer, (ii) imposing limitations on the ability of Purchaser or Parent to acquire or hold or to exercise effectively all rights of ownership of the Common Shares or effectively to control the business, assets or operations of Parent, the Company 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 Parent, the Company and their subsidiaries, taken as a whole; or

(b) a Company Material Adverse Effect shall have occurred and continued to exist; or

(c) there shall have occurred and continued to exist (i) any general suspension of trading in, or limitation on prices for, securities on the New York Stock Exchange (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 United States governmental authority or agency on the extension of credit by banks or other financial institutions, (v) from the date of the Merger Agreement 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 Merger Agreement shall have been terminated in accordance with its terms; or

(e) (i) the representations of the Company contained in the Merger Agreement are not 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) the Company shall have failed to comply with its covenants and agreements contained in the Merger Agreement in all material respects; or

(f) prior to the purchase of Common Shares pursuant to the Offer, the Company Board shall have withdrawn or modified (including by amendment of the Schedule 14D-9) in a manner adverse to Purchaser its approval or recommendation of the Offer, this Agreement or the Merger or shall have recommended another offer, or shall have adopted any resolution to effect any of the foregoing.

17. Certain Legal Matters; Regulatory Approvals.

General. Purchaser is not aware of any material pending legal proceeding relating to the Offer. Based on its examination of publicly available information filed by the Company with the SEC and other publicly available information concerning the Company, Purchaser is not aware of any governmental license or regulatory permit that appears to be material to the Company's business that might be adversely affected by Purchaser's purchase of the Common Shares and Preferred Shares as contemplated herein or, except as set forth below, of any approval or other action by any government or governmental administrative or regulatory authority or agency, domestic or foreign, that would be required for the purchase or ownership of Common Shares and Preferred Shares by Purchaser or Parent as contemplated herein. Should any such approval or other action be required, Purchaser currently contemplates that, except as described below under "State Takeover Statutes," such approval or other action will be sought. There can be no assurance that any such approval or other action, if needed, would be obtained or would be obtained without substantial conditions or that if such approval were not obtained or such other action were not taken, adverse consequences might not result to the Company's business, or certain parts of the Company's business might not have to be disposed of, any of which could cause Purchaser to elect to terminate the Offer without the purchase of Common Shares and Preferred Shares under certain conditions. See Section 16 of this Offer to Purchase--"Certain Conditions of the Offer."

State Takeover Statutes. A number of states (including Delaware, where the Company is incorporated), have adopted laws which purport, to varying degrees, to apply to attempts to acquire corporations that are incorporated in, or which have substantial assets, stockholders, principal executive offices or principal places of business or whose business operations otherwise have substantial economic effects in, such states. Except as described herein, Purchaser does not know whether any of these laws will, by their terms, apply to the Offer or the Merger or any other business combination between Purchaser or any of its affiliates and the Company. To the extent that certain provisions of these laws purport to apply to the Offer or the Merger or other business combination, Purchaser believes that there are reasonable bases for contesting such laws. In 1982, in Edgar v. MITE Corp., the Supreme Court of the United States invalidated on constitutional grounds the Illinois Business Takeover Statute which, as a matter of state securities law, made takeovers of corporations meeting certain requirements more difficult. However, in 1987 in CTS Corp. v. Dynamics Corp. of America, the Supreme Court held that the State of Indiana could, as a matter of corporate law, constitutionally disqualify a potential acquiror from voting shares of a target corporation without the prior approval of the remaining stockholders where, among other things, the corporation is incorporated in, and has a substantial number of stockholders in, the state. Subsequently, in TLX Acquisition Corp. v. Telex Corp., a Federal District Court in Oklahoma ruled that the Oklahoma statutes were unconstitutional insofar as they apply to corporations incorporated outside Oklahoma in that they would subject such corporations to inconsistent regulations. Similarly, in Tyson Foods, Inc. v. McReynolds, a Federal District Court in Tennessee ruled that four Tennessee takeover statutes were unconstitutional as applied to corporations incorporated outside Tennessee. This decision was affirmed by the United States Court of Appeals for the Sixth Circuit.

Section 203 of the DGCL ("Section 203"), in general, prevents an "interested stockholder" (including a person who owns or has the right to acquire 15% or more of the corporation's outstanding voting stock) from engaging in a "business combination" (defined to include mergers and certain other actions) with a Delaware corporation for a period of three years following the date such person became an interested stockholder. The Company Board has taken all appropriate action so that neither Parent nor Purchaser is or will be considered an "interested stockholder" pursuant to Section 203.

Neither Parent nor Purchaser has determined whether any other state takeover laws or regulations will by their terms apply to the Offer or the Merger, and except as set forth above, neither Purchaser nor Parent have attempted to comply with any state takeover statutes in connection with the Offer or the Merger. Purchaser and Parent reserve the right to challenge the validity or applicability of any state law allegedly applicable to the Offer or the Merger, and nothing in this Offer to Purchase nor any action taken by Parent or Purchaser in connection with the Offer is intended as a waiver of that right. In the event it is asserted that one or more state takeover statutes is applicable to the Offer or the Merger and an appropriate court does not determine that it is inapplicable or invalid as applied to the Offer or the Merger, Purchaser might be required to file certain information with, or

to receive approvals from, the relevant state authorities or holders of Common Shares and/or Preferred Shares, and Purchaser might be unable to accept for payment or pay for Common Shares and/or Preferred Shares tendered pursuant to the Offer, or be delayed in continuing or consummating the Offer or the Merger. In such case, Purchaser may not be obligated to accept for payment or pay for any tendered Common Shares and/or Preferred Shares. See Section 16 of this Offer to Purchase--"Certain Conditions of the Offer."

Antitrust in the United States. Under the HSR Act and the rules that have been promulgated thereunder by 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 Common Shares and Preferred Shares pursuant to the Offer is subject to such requirements.

Pursuant to the requirements of the HSR Act, Purchaser expects to file a Notification and Report Form with respect to the Offer and Merger with the Antitrust Division and the FTC on or about January 5, 2001. The waiting period applicable to the purchase of Common Shares and Preferred Shares pursuant to the Offer is scheduled to expire at 11:59 p.m., New York City time, fifteen 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 Purchaser. If such a request is made, the waiting period will be extended until 11:59 p.m., New York City time, on the tenth day after substantial compliance by Purchaser with such request. 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 Section 4 of this Offer to Purchase--"Withdrawal Rights." If Purchaser's purchase of Common Shares or Preferred Shares 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 Section 16 of this Offer to Purchase--"Certain Conditions of the Offer."

The Antitrust Division and the FTC scrutinize the legality under the antitrust laws of transactions such as the purchase of Common Shares and Preferred Shares by Purchaser 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 Common Shares and/or Preferred Shares pursuant to the Offer or seeking divestiture of the Common Shares and/or Preferred Shares so acquired or divestiture of substantial assets of Parent or the Company. Private parties (including individual states) may also bring legal actions under the antitrust laws of the United States. Purchaser 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. See Section 16 of this Offer to Purchase--"Certain Conditions of the Offer," including conditions with respect to litigation and certain governmental actions and Section 12 of this Offer to Purchase--"The Merger Agreement; Other Arrangements" for certain termination rights.

Foreign Regulatory Matters.

Completion of the transaction also may require certain approvals by foreign regulatory authorities. 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 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. The parties intend to file shortly all non-United States pre-merger notifications that they believe are required, including that required under the ECMR. 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 material required regulatory approvals in a timely manner, it is not certain that all 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.

18. Appraisal Rights.

No appraisal rights are available in connection with the Offer.

If Purchaser acquires at least 90% of the Common Shares and at least 90% of the Preferred Shares pursuant to the Offer, the Merger may be consummated without a stockholders' meeting and without the approval of the Company's stockholders.

If less than 90% of the Preferred Shares are acquired pursuant to the Offer and a stockholder vote is required to approve the Merger, holders of Preferred Shares may have appraisal rights in connection with the Merger under certain circumstances. If the Preferred Shares are 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 Merger, the holders of Preferred Shares will have appraisal rights pursuant to Section 262 of the DGCL ("Section 262").

In addition, holders of Common Shares at the Effective Time who do not wish to accept the Merger Consideration pursuant to the Merger will have the right to seek an appraisal and to be paid the "fair value" of their Common Shares at the Effective Time (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 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 Schedule II hereto. Any stockholder considering demanding appraisal is advised to consult legal counsel. Dissenters' rights, if any, will not be available unless and until the Merger (or a similar business combination) is consummated.

Stockholders of record who desire to exercise their appraisal rights must fully satisfy all of the following conditions. A written demand for appraisal of Common Shares or Preferred Shares must be delivered to the Secretary of the Company (x) before the taking of the vote on the approval and adoption of the Merger Agreement if the 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 Company's stockholders (a "long-form merger") or (y) within twenty days after the date that the Surviving Corporation mails to the stockholders a notice (the "Notice of Merger") to the effect that the 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 Merger is being effected as a short-form merger without a vote or meeting of the Company's stockholders. If the 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 Merger Agreement, and neither voting against, abstaining from voting, nor failing to vote on the 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 Common Shares or Preferred Shares for which appraisal is sought on the date the demand is made and, continuously hold such Common Shares or Preferred Shares through the Effective Time, 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 Common Shares or Preferred Shares 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 Common Shares or Preferred Shares 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; 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 Common Shares or Preferred Shares as a nominee for others, may exercise appraisal rights with respect to the Common Shares or Preferred Shares held for all or less than all beneficial owners of Common Shares or Preferred Shares as to which the holder is the record owner. In such case the written demand must set forth the number of Common Shares or Preferred Shares covered by such demand. Where the number of Common Shares or Preferred Shares is not expressly stated, the demand will be presumed to cover all Common Shares or Preferred Shares 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 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 Common Shares or Preferred Shares covered by the demand and that the stockholder is thereby demanding appraisal of such shares. In the case of a long-form merger, the Company must, within ten days after the Effective Time, provide notice of the Effective Time to all stockholders who have complied with Section 262 and have not voted for approval and adoption of the 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 Merger Agreement or consent thereto in writing. Voting in favor of the approval and adoption of the Merger Agreement, or delivering a proxy in connection with the stockholders meeting called to approve the Merger Agreement (unless the proxy votes against, or expressly abstains from the vote on, the approval and adoption of the 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 Merger is effected as a long-form merger or a short-form merger, within 120 days after the Effective Time, either the Company or any 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 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 Common Shares and/or Preferred Shares owned by such stockholders, determining the fair value of such Common Shares and/or Preferred Shares exclusive of any element of value arising from the accomplishment or expectation of the 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."

Stockholders who in the future consider seeking appraisal should have in mind that the fair value of their Common Shares or Preferred Shares determined under Section 262 could be more than, the same as, or less than the Merger Consideration (or, in the case of the Preferred Shares, the highest amount paid per Preferred Share in the Offer) if they do seek appraisal of their Common Shares or Preferred Shares, 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, Parent intends to cause the Surviving Corporation to argue in any appraisal proceeding

that, for purposes thereof, the "fair value" of the Common Shares or Preferred Shares, 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 Common Shares and/or Preferred Shares entitled to appraisal. In the absence of such a determination or assessment, each party bears its own expenses.

Any stockholder who has duly demanded appraisal in compliance with Section 262 will not, after the Effective Time, be entitled to vote for any purpose the Common Shares and/or Preferred Shares subject to such demand or to receive payment of dividends or other distributions on such Common Shares and/or Preferred Shares, except for dividends or other distributions payable to stockholders of record at a date prior to the Effective Time.

At any time within 60 days after the Effective Time, any former holder of Common Shares or Preferred Shares shall have the right to withdraw his or her demand for appraisal and to accept the Merger Consideration (or, in the case of Preferred Shares, the highest amount paid per Preferred Share in the Offer). After this period, such holder may withdraw his or her demand for appraisal only with the consent of the Company as the Surviving Corporation. If no petition for appraisal is filed with the Delaware Court of Chancery within 120 days after the Effective Time, stockholders' rights to appraisal shall cease and all stockholders shall be entitled to receive the Merger Consideration (or, in the case of the Preferred Shares, the highest amount paid per Preferred Share in the Offer). Inasmuch as the Company has no obligation to file such a petition, and Parent has no present intention to cause or permit the Surviving Corporation 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 MERGER IS CONSUMMATED. STOCKHOLDERS WHO WILL BE ENTITLED TO APPRAISAL RIGHTS IN CONNECTION WITH THE 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.

STOCKHOLDERS WHO SELL COMMON SHARES OR PREFERRED SHARES IN THE OFFER WILL NOT BE ENTITLED TO EXERCISE APPRAISAL RIGHTS WITH RESPECT THERETO BUT, RATHER, WILL RECEIVE THE PRICE PAID IN THE OFFER THEREFOR.

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 stockholders of the Company 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.

19. Fees and Expenses.

Salomon Smith Barney Inc. is acting as the Dealer Manager in connection with the Offer and as financial advisor to Parent in connection with our offer and the Merger, for which services Salomon Smith Barney Inc. will receive reasonable and customary compensation. Parent has agreed to reimburse Salomon Smith Barney Inc.

for reasonable fees and expenses incurred by Salomon Smith Barney Inc. 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 Parent, the Company and their respective affiliates for Salomon Smith Barney Inc.'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.

Parent and Purchaser have retained Georgeson Shareholder Communications Inc. to be the Information Agent and EquiServe Trust Company, to be the Depositary in connection with the Offer. The Information Agent may contact holders of Common Shares or Preferred Shares by mail, telephone, telecopy, telegraph and personal interview and may request banks, brokers, dealers and other nominees to forward materials relating to the Offer to beneficial owners of Common Shares or Preferred Shares. The Information Agent and the Depositary each will receive reasonable and customary compensation for their respective services in connection with the Offer, will be reimbursed for reasonable out-of-pocket expenses, and will be indemnified against certain liabilities and expenses in connection therewith, including certain liabilities under federal securities laws. Parent also retained Salomon Smith Barney Inc. to render financial advisory services to Parent concerning its acquisition of the Company and to act as the Dealer Manager in connection with the Offer, pursuant to which Salomon Smith Barney Inc. will be paid customary compensation. Neither Parent nor Purchaser will pay any fees or commissions to any broker or dealer or to any other person (other than to the Dealer Manager, the Depositary and the Information Agent) in connection with the solicitation of tenders of Common Shares and Preferred Shares pursuant to the Offer. Brokers, dealers, commercial banks and trust companies will, upon request, be reimbursed by Purchaser for customary mailing and handling expenses incurred by them in forwarding Offering materials to their customers.

20. Miscellaneous.

Neither Purchaser nor Parent is aware of any jurisdiction where the making of the Offer is prohibited by any administrative or judicial action pursuant to any valid state statute. If either Purchaser or Parent becomes aware of any valid state statute prohibiting the making of the Offer or the acceptance of the Common Shares and Preferred Shares, Parent and Purchaser will make a good faith effort to comply with that state statute. If, after a good faith effort, Purchaser and Parent cannot comply with the state statute, the Offer will not be made to, nor will tenders be accepted from or on behalf of, the holders of Common Shares and Preferred Shares in that state.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION ON BEHALF OF PARENT OR PURCHASER NOT CONTAINED HEREIN IN THE OFFER DOCUMENTS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED.

Purchaser has filed with the SEC a Tender Offer Statement on Schedule TO pursuant to Rule 14d-3 of the General Rules and Regulations under the Exchange Act, together with exhibits furnishing certain additional information with respect to the Offer, and may file amendments thereto. In addition, the Company has filed with the SEC a Solicitation/Recommendation Statement on Schedule 14D-9, together with exhibits, pursuant to Rule 14d-9 under the Exchange Act, setting forth the recommendations of the Company Board with respect to the Offer and the reasons for such recommendations and furnishing certain additional related information. A copy of such documents, and any amendments thereto, may be examined at, and copies may be obtained from, the SEC (but not the regional offices of the SEC) in the manner set forth in Section 7 of this Offer to Purchase entitled "Certain Information Concerning the Company."

LII Acquisition Corp.

January 5, 2001

SCHEDULE I:

DIRECTORS AND EXECUTIVE OFFICERS OF PARENT AND PURCHASER

1. Directors and Executive Officers of Parent.

The following table sets forth the name and present principal occupation or employment, and material occupations, positions, offices or employments for the past five years of each director and executive officer of Parent. Unless otherwise indicated below, each occupation set forth opposite each person refers to employment with Parent. Unless otherwise indicated, the business address of each such person is c/o Northrop Grumman Corporation at 1840 Century Park East, Los Angeles, California 90067 and each such person is a citizen of the United States.

Directors and Executive Officers	Present Principal and Five-Year Employment History
Kent Kresa*.............	Chairman, President and Chief Executive Officer. Before joining the Company, Kent 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 the Company as Vice President and Manager of the Company'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 the Company 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 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.
Jack R. Borsting*.......	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.*.....	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 Nabisco Holding Group, Inc., R.J. Reynolds, Inc. and Kemper Insurance Company.

Vic Fazio*............. 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*.......... 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 North American Vaccine, Inc., and 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*...... 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.

Robert A. Lutz*......... 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 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*....... 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 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's Panel on Audit Effectiveness.

John E. Robson*......... 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.

Richard M. Rosenberg*... 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*..	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 Counsel 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*..	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 in 1985, and President and Chief Executive Officer in 1988. In 1989 he was elected Chairman of the Board, 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.
Herbert W. Anderson.....	Corporate Vice President, President and Chief Executive Officer, Logicon, Inc. since 1998. Prior to this, Mr. Anderson was Corporate Vice President and General Manager, Data Systems and Services Division.
Ralph D. Crosby, Jr.....	Corporate Vice President 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.
J. Michael Hateley......	Corporate Vice President and Chief Human Resources and Administrative Officer 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.
Robert W. Helm..........	Corporate Vice President, Government Relations since 1994.
John H. Mullan..........	Corporate Vice President and Secretary since 1999. Prior to this, Mr. Mullan was Acting Secretary. Prior to May 1998, he was Senior Corporate Counsel.
Albert F. Myers.........	Corporate Vice President and Treasurer since 1994.
Rosanne P. O'Brien......	Corporate Vice President, Communications 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.

James G. Roche..........	Corporate Vice President 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.
W. Burks Terry..........	Corporate Vice President and General Counsel 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.
Robert B. Spiker........	Corporate Vice President and Controller 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.
Richard B. Waugh, Jr....	Corporate Vice President and Chief Financial Officer since 1993.

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* Member of Parent's Board of Directors.

2. Directors and Executive Officers of Purchaser.

The following table sets forth the name and present principal occupation or employment, and material occupations, positions, offices or employments for the past five years of each director and executive officer of Purchaser. Unless otherwise indicated below, each occupation set forth opposite each person refers to employment with Purchaser. Unless otherwise indicated, the business address of each such person is c/o Parent at 1840 Century Park East, Los Angeles, California 90067 and each such person is a citizen of the United States.

Directors and Executive Officers	Present Principal and Five-Year Employment History
Albert F. Myers**	President. Mr. Myers has held the position of Corporate Vice President and Treasurer of Parent since 1994.
W. Burks Terry**	Chief Financial Officer, Vice President and General Counsel. In addition, Mr. Terry has held the position of Corporate Vice President and General Counsel of Parent since August 2000. From October 1998 to August 2000, Mr. Terry was Vice President, Deputy General Counsel, and Sector Counsel of Parent. From 1989 to October 1998, Mr. Terry was Vice President and Assistant General Counsel of Parent.
John H. Mullan**	Secretary. In addition, Mr. Mullan has held the positions of Corporate Vice President and Secretary of Parent since 1999. Prior to this, Mr. Mullan was Acting Secretary of Parent, and prior to May 1998, Mr. Mullan was Senior Corporate Counsel of Parent.

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** Member of Purchaser's Board of Directors.

SCHEDULE II:

SECTION 262 OF THE DELAWARE GENERAL CORPORATION LAW

DELAWARE CODE ANNOTATED

TITLE 8. CORPORATIONS
CHAPTER 1. GENERAL CORPORATION LAW
SUBCHAPTER IX. MERGER, CONSOLIDATION OR CONVERSION

8 Del. C. (S) 262 (2000)

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 paragraphs 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 section 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.

Facsimile copies of the Letter of Transmittal, properly completed and duly signed, will be accepted. The Letter of Transmittal, Share Certificates and any other required documents should be sent by each stockholder or such stockholder's broker, dealer, commercial bank, trust company or other nominee to the Depositary at one of the addresses set forth below:

The Depositary for the Offer is:

EQUISERVE TRUST COMPANY

By Mail:	By Hand:	By Overnight Delivery:
EQUISERVE TRUST COMPANY P.O. Box 842010 Boston, Massachusetts 02284-2010	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:	Confirmation Receipt of Facsimile
(For Eligible Institutions Only) (781) 575-4826 or (781) 575-4827	by Telephone Only: (781) 575-4816

Questions and requests for assistance may be directed to the Information Agent or the Dealer Manager at their respective addresses and telephone numbers as set forth below. Additional copies of this Offer to Purchase, the Letter of Transmittal, or other related tender offer materials may be obtained from the Information Agent or from brokers, dealers, commercial banks or trust companies.

The Information Agent for the Offer is:

[LOGO OF GEORGESON SHAREHOLDER COMMUNICATIONS INC.]
17 State Street, 10th Floor
New York, New York 10004
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
[LOGO FOR SALOMON SMITH BARNEY]

388 Greenwich Street
New York, New York 10013
Call Toll Free: (877) 319-4978

EXHIBIT 99.(a)(1)(ii)

LETTER OF TRANSMITTAL

To Tender Shares of Common Stock
(together with associated rights)
of
Litton Industries, Inc.
at
$80.00 Net Per Share
Pursuant to the Offer to Purchase
Dated January 5, 2001
of
LII Acquisition Corp.,
a wholly owned subsidiary of
Northrop Grumman Corporation

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON FRIDAY, FEBRUARY 2, 2001, UNLESS THE OFFER IS EXTENDED.

The Depositary for the Offer is:

EQUISERVE TRUST COMPANY

By Mail:

EQUISERVE TRUST COMPANY
P.O. Box 842010
Boston, Massachusetts 02284-2010

By Hand:

EQUISERVE TRUST COMPANY
c/o Securities Transfer and
Reporting Services, Inc.
100 William Street--Galleria
New York, New York 10038

By Overnight Delivery:

EQUISERVE TRUST COMPANY
40 Campanelli Drive
Braintree, Massachusetts 02184

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

By Confirmation Receipt of Facsimile by Telephone Only:
(781) 575-4816

Delivery of this Letter of Transmittal to an address other than as set forth above, or transmissions of instructions via a facsimile number other than as set forth above, will not constitute a valid delivery. The instructions accompanying this Letter of Transmittal should be read carefully before this Letter of Transmittal is completed. You must sign this Letter of Transmittal in the appropriate space provided therefor, with signature guarantee if required, and complete the substitute form W-9 set forth below. See Instruction 9.

DESCRIPTION OF COMMON SHARES TENDERED

Name(s) and address(es) of registered holder(s) (Please fill in, if blank, exactly as name(s) appear(s) on Common Share Certificate(s))	Common Share Certificate(s) and Common Share(s) tendered (attach additional list if necessary). See Instruction 3.		
	Common Share Certificate Number(s)*	Total Number of Common Shares Represented by Certificate(s)	Number of Common Share(s) Tendered**
	Total Common Shares		

* Need not be completed by stockholder delivering by book-entry transfer.

** Unless otherwise indicated it will be assumed that all Common Shares evidenced by any certificates delivered to the Depositary are being tendered. See Instruction 4.

This Letter of Transmittal is to be completed by stockholders, either if Common Share Certificates (as defined below) are to be forwarded herewith or, unless an Agent's Message (as defined in the Offer to Purchase, as referred to below) is utilized, if tenders of Common Shares (as defined below) are to be made by book-entry transfer into the account of EquiServe Trust Company, as Depositary (the "Depositary"), at The Depository Trust Company (the "Book-Entry Transfer Facility") pursuant to the procedures set forth in Section 3 of the Offer to Purchase. Stockholders who tender Common Shares by book-entry transfer are referred to herein as "Book-Entry Stockholders." Stockholders whose Common Share Certificates are not immediately available or who cannot deliver their Common Share Certificates and all other required documents to the Depositary on or prior to the Expiration Date (as defined in the Offer to Purchase), or who cannot complete the procedure for book-entry transfer on a timely basis, must tender their Common Shares according to the guaranteed delivery procedure set forth in Section 3 of the Offer to Purchase. See Instruction 2. Delivery of documents to the Book-Entry Transfer Facility does not constitute delivery to the Depositary.

SPECIAL TENDER INSTRUCTIONS

[_]CHECK HERE IF COMMON SHARES ARE BEING TENDERED BY BOOK-ENTRY TRANSFER MADE TO AN ACCOUNT MAINTAINED BY THE DEPOSITARY WITH THE BOOK-ENTRY TRANSFER FACILITY AND COMPLETE THE FOLLOWING (ONLY PARTICIPANTS IN THE BOOK-ENTRY TRANSFER FACILITY MAY DELIVER COMMON SHARES BY BOOK-ENTRY TRANSFER):

Name of Tendering Institution: ____

Account Number: ____

Transaction Code Number: ____

[_]CHECK HERE IF COMMON SHARES ARE BEING TENDERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY PREVIOUSLY SENT TO THE DEPOSITARY AND COMPLETE THE FOLLOWING (please enclose a photocopy of such notice of guaranteed delivery):

Name(s) of Registered Owner(s): ____

Window Ticket Number (if any): ____

Date of Execution of Notice of Guaranteed Delivery: ________________________

Name of Institution that Guaranteed Delivery: ______________________________

Account Number: ____

Transaction Code Number: ____

NOTE: SIGNATURES MUST BE PROVIDED ON PAGE 6

PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY

Ladies and Gentlemen:

The undersigned hereby tenders to LII Acquisition Corp., a Delaware corporation ("Purchaser") and a wholly owned subsidiary of Northrop Grumman Corporation, a Delaware corporation, the above described shares of common stock, par value $1.00 per share (together with the associated rights to purchase preferred stock of Litton Industries, Inc. (the "Company") pursuant to the Rights Agreement dated as of August 17, 1994 between the Company and The Bank of New York, the "Common Shares" and the certificates representing such Common Shares, the "Common Share Certificates") of the Company, at a price of $80.00 per Common Share, net to the seller in cash, less any required withholding of taxes and without the payment of interest, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated January 5, 2001 (the "Offer to Purchase"), receipt of which is hereby acknowledged, and in this Letter of Transmittal (the "Letter of Transmittal," which, together with the Offer to Purchase, as each may be amended or supplemented from time to time, collectively constitute the "Offer").

Subject to, and effective upon, acceptance for payment of the Common Shares tendered herewith in accordance with the terms of the Offer, the undersigned hereby sells, assigns and transfers to, or upon the order of, Purchaser all right, title and interest in and to all of the Common Shares that are being tendered hereby and any and all Common Shares or other securities issued, paid or distributed or issuable, payable or distributable in respect of such Common Shares on or after January 5, 2001, and prior to the transfer to the name of Purchaser (or a nominee or transferee of Purchaser) on the Company's stock transfer records of the Common Shares tendered herewith (collectively, a "Distribution"), and irrevocably appoints the Depositary the true and lawful agent, attorney-in-fact and proxy of the undersigned with respect to such Common Shares (and any Distribution), with full power of substitution (such power of attorney being deemed to be an irrevocable power coupled with an interest) to (a) deliver such Common Share Certificates (and any Distribution) or transfer ownership of such Common Shares (and any Distribution) on the account books maintained by the Book-Entry Transfer Facility, together, in either case, with appropriate evidences of transfer, to the Depositary for the account of Purchaser, (b) present such Common Shares (and any Distribution) for transfer on the books of the Company, and (c) receive all benefits and otherwise exercise all rights of beneficial ownership of such Common Shares (and any Distribution), all in accordance with the terms and subject to the conditions of the Offer.

The undersigned irrevocably appoints designees of Purchaser as such undersigned's agents, attorneys-in-fact and proxies, with full power of substitution, to the full extent of the undersigned's rights with respect to the Common Shares (and any Distribution) tendered by the undersigned and accepted for payment by Purchaser. All such powers of attorney and proxies shall be considered irrevocable and coupled with an interest. Such appointment will be effective when, and only to the extent that, Purchaser accepts such Common Shares for payment. Upon such acceptance for payment, all prior powers of attorney, proxies and consents given by the undersigned with respect to such Common Shares (and any Distribution) will be revoked without further action, and no subsequent powers of attorney and proxies may be given nor any subsequent written consents executed (and, if given or executed, will not be deemed effective). The designees of Purchaser will, with respect to the Common Shares (and any Distribution) for which such appointment is effective, be empowered to exercise all voting and other rights of the undersigned as they in their sole discretion may deem proper at any annual or special meeting of Company stockholders or any adjournment or postponement thereof, by written consent in lieu of any such meeting or otherwise. Purchaser reserves the right to require that, in order for the Common Shares to be deemed validly tendered, immediately upon Purchaser's acceptance of such Common Shares, Purchaser must be able to exercise full voting rights with respect to such Common Shares (and any Distribution), including, without limitation, voting at any meeting of stockholders.

The undersigned hereby represents and warrants that (a) the undersigned has full power and authority to tender, sell, assign and transfer the undersigned's Common Shares (and any Distribution) tendered hereby, and (b) when the Common Shares are accepted for payment by Purchaser, Purchaser will acquire good, marketable and unencumbered title to the Common Shares (and any Distribution), free and clear of all liens, restrictions, charges and encumbrances, and the same will not be subject to any adverse claim and will not have been transferred to Purchaser in violation of any contractual or other

restriction on the transfer thereof. The undersigned, upon request, will execute and deliver any additional documents deemed by the Depositary or Purchaser to be necessary or desirable to complete the sale, assignment and transfer of the Common Shares (and any Distribution) tendered hereby. In addition, the undersigned shall promptly remit and transfer to the Depositary for the account of Purchaser any and all Distributions in respect of the Common Shares tendered hereby, accompanied by appropriate documentation of transfer, and, pending such remittance or appropriate assurance thereof, Purchaser will be, subject to applicable law, entitled to all rights and privileges as the owner of any such Distribution and may withhold the entire purchase price or deduct from the purchase price the amount or value thereof, as determined by Purchaser, in its sole discretion.

All authority herein conferred or agreed to be conferred shall not be affected by and shall survive the death or incapacity of the undersigned and any obligation of the undersigned hereunder shall be binding upon the heirs, personal representatives, successors and assigns of the undersigned.

Tenders of Common Shares made pursuant to the Offer are irrevocable, except that Common Shares tendered pursuant to the Offer may be withdrawn at any time prior to the Expiration Date, and, unless theretofore accepted for payment by the Purchaser pursuant to the Offer, may also be withdrawn at any time after Tuesday, March 6, 2001. See Section 4 of the Offer to Purchase.

The undersigned understands that tenders of Common Shares pursuant to any of the procedures described in Section 3 of the Offer to Purchase and in the instructions hereto will constitute a binding agreement between the undersigned and Purchaser upon the terms and subject to the conditions set forth in the Offer, including the undersigned's representation that the undersigned owns the Common Shares being tendered.

Unless otherwise indicated herein under "Special Payment Instructions," please issue the check for the purchase price and/or issue or return any certificate(s) for Common Shares not tendered or not accepted for payment in the name(s) of the registered holder(s) appearing under "Description of Common Shares Tendered." Similarly, unless otherwise indicated herein under "Special Delivery Instructions," please mail the check for the purchase price and/or any Common Share Certificate(s) not tendered or not accepted for payment (and accompanying documents, as appropriate) to the address(es) of the registered holder(s) appearing under "Description of Common Shares Tendered." In the event that both the "Special Delivery Instructions" and the "Special Payment Instructions" are completed, please issue the check for the purchase price and/or any Common Share Certificate(s) not tendered or accepted for payment in the name of, and deliver such check and/or such Common Share Certificates to, the person or persons so indicated. Unless otherwise indicated herein under "Special Payment Instructions," please credit any Common Shares tendered herewith by book-entry transfer that are not accepted for payment by crediting the account at the Book-Entry Transfer Facility designated above. The undersigned recognizes that Purchaser has no obligation, pursuant to the Special Payment Instructions, to transfer any Common Shares from the name(s) of the registered holder(s) thereof if Purchaser does not accept for payment any of the Common Shares so tendered.

[_]CHECK HERE IF ANY COMMON SHARE CERTIFICATES REPRESENTING COMMON SHARES THAT YOU OWN HAVE BEEN LOST, STOLEN OR DESTROYED AND SEE INSTRUCTION 11.

Number of Common Shares represented by lost, stolen or destroyed Common Share Certificates:

* YOU MUST CONTACT THE TRANSFER AGENT TO HAVE ALL LOST COMMON SHARE CERTIFICATES REPLACED IF YOU WANT TO TENDER SUCH COMMON SHARES. SEE PARAGRAPH 11 OF THE ATTACHED INSTRUCTIONS FOR CONTACT INFORMATION FOR THE TRANSFER AGENT.

SPECIAL PAYMENT INSTRUCTIONS
(See Instructions 1, 5, 6 and 7)

To be completed ONLY if Common Share Certificate(s) not tendered or not accepted for payment and/or the check for the purchase price of Common Shares accepted for payment are to be issued in the name of someone other than the undersigned or if Common Shares tendered by book-entry transfer that are not accepted for payment are to be returned by credit to an account maintained at the Book-Entry Transfer Facility other than that designated above.

Issue [_] Check
[_] Common Share Certificate(s) to:

Name: ______________________________
(Please Print)

Address: ___________________________

____

____
(Include Zip Code)

____
(Tax Identification or Social Security No.)
(See Substitute Form W-9 Included Herein)

[_]Credit Common Shares tendered by book-entry transfer that are not accepted for payment to Depositary to the account set forth below:

____

____
(Depositary Account Number)

SPECIAL DELIVERY INSTRUCTIONS
(See Instructions 1, 5, 6 and 7)

To be completed ONLY if Common Share Certificate(s) not tendered or not accepted for payment and/or the check for the purchase price of Common Shares accepted for payment are to be issued in the name of someone other than the undersigned or to the undersigned at an address other than that shown above.

Issue [_] Check
[_] Common Share Certificate(s) to:

Name: ______________________________
(Please Print)

Address: ___________________________

____

____
(Include Zip Code)

____
(Tax Identification or Social Security No.)
(See Substitute Form W-9 Included Herein)

SIGN HERE
AND COMPLETE ACCOMPANYING SUBSTITUTE FORM W-9

Signature(s) of Holder(s)
(See guarantee requirement below)

Dated: ____________ , 2001

(Must be signed by registered holder(s) exactly as name(s) appear(s) on Common Share Certificate(s). If signed by person(s) to whom the Common Shares represented hereby have been assigned or transferred as evidenced by endorsement or stock powers transmitted herewith, the signatures must be guaranteed. If signature is by an officer on behalf of a corporation or by an executor, administrator, trustee, guardian, attorney, agent or any other person acting in a fiduciary or representative capacity, please provide the following information. See Instructions 2, 3 and 5.)

Name(s): ____

(Please Print)

Capacity (full title): ____

Address: ____

____

____
(Zip Code)

Area Code and Telephone Number: ____

Tax Identification or Social Security Number: ______________________________

===

GUARANTEE OF SIGNATURE(S)
(SEE INSTRUCTIONS 1, 2 AND 5)

Authorized Signature: ____

Name: ____
(Please Print)

Capacity (full title): ____

Name of Firm: ____

Address: ____

(Zip Code)

Area Code and Telephone Number: ____

Dated: ____ , 2001

INSTRUCTIONS

FORMING PART OF THE TERMS AND CONDITIONS OF THE OFFER

1. Guarantee of Signatures. No signature guarantee is required on this Letter of Transmittal if: (a) this Letter of Transmittal is signed by the registered holder(s) of Common Shares (which term, for purposes of this document, shall include any participant in the Book-Entry Transfer Facility whose name appears on a security position listing as the owner of Common Shares) tendered herewith, unless such holder(s) has completed either the box entitled "Special Payment Instructions" or the box entitled "Special Delivery Instructions," or (b) such Common Shares are tendered for the account of a firm which is a bank, broker, dealer, credit union, savings association or other entity which is a member in good standing of a recognized Medallion Program approved by the Securities Transfer Association Inc., including the Securities Transfer Agents Medallion Program (STAMP), the Stock Exchange Medallion Program (SEMP) and the New York Stock Exchange Medallion Signature Program (MSP), or any other "eligible guarantor institution" (as defined in Rule 17Ad-15 under the Securities Exchange Act of 1934) (each of the foregoing, an "Eligible Institution"'). In all other cases, all signatures on this Letter of Transmittal must be guaranteed by an Eligible Institution. See Instruction 5 of this Letter of Transmittal.

2. Requirements of Tender. This Letter of Transmittal is to be completed by stockholders either if Common Share Certificates are to be forwarded herewith or, unless an Agent's Message is utilized, if tenders are to be made pursuant to the procedure for tender by book-entry transfer set forth in Section 3 of the Offer to Purchase. Common Share Certificates evidencing tendered Common Shares, or timely confirmation (a "Book-Entry Confirmation") of a book-entry transfer of Common Shares into the Depositary's account at the Book-Entry Transfer Facility, as well as this Letter of Transmittal (or a facsimile hereof), properly completed and duly executed, with any required signature guarantees, or an Agent's Message in connection with a book-entry transfer, and any other documents required by this Letter of Transmittal, must be received by the Depositary at one of its addresses set forth herein on or prior to the Expiration Date. Stockholders whose Common Share Certificates are not immediately available or who cannot deliver their Common Share Certificates and all other required documents to the Depositary on or prior to the Expiration Date or who cannot complete the procedure for delivery by book-entry transfer on a timely basis may tender their Common Shares by properly completing and duly executing a Notice of Guaranteed Delivery pursuant to the guaranteed delivery procedure set forth in Section 3 of the Offer to Purchase. Pursuant to such procedure: (a) such tender must be 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 Purchaser, must be received by the Depositary on or prior to the Expiration Date; and (c) the Common Share Certificates (or a Book-Entry Confirmation) representing all tendered Common Shares in proper form for transfer, in each case, together with this Letter of Transmittal (or a facsimile thereof), properly completed and duly executed, with any required signature guarantees (or, in the case of a book-entry delivery, an Agent's Message) and any other documents required by this Letter of Transmittal, must be received by the Depositary within three New York Stock Exchange trading days after the date of execution of such Notice of Guaranteed Delivery. If Common Share Certificates are forwarded separately in multiple deliveries to the Depositary, a properly completed and duly executed Letter of Transmittal (or a facsimile thereof) must accompany each such delivery.

The method of delivery of this Letter of Transmittal, Common Share Certificates and all other required documents, including delivery through the Book-Entry Transfer Facility, is at the option and risk of the tendering stockholder, and the delivery will be deemed made only when actually received by the Depositary (including, in the case of book-entry transfer, by Book-Entry Confirmation). If delivery is by mail, registered mail with return receipt requested and properly insured is recommended. In all cases, sufficient time should be allowed to ensure timely delivery. No alternative, conditional or contingent tenders will be accepted and no fractional Common Shares will be purchased. All tendering stockholders, by execution of this Letter of Transmittal (or a facsimile hereof if by an Eligible Institution), waive any right to receive any notice of the acceptance of their Common Shares for payment.

3. Inadequate Space. If the space provided herein is inadequate, the Common Share Certificate numbers and/or the number of Common Shares and any other required information should be listed on a separate signed schedule attached hereto.

4. Partial Tenders (Not Applicable to Stockholders Who Tender by Book-Entry Transfer). If fewer than all the Common Shares evidenced by any Common Share Certificate submitted are to be tendered, fill in the number of Common

Shares which are to be tendered in the box entitled "Number of Common Shares Tendered" in the "Description of Common Shares Tendered." In such cases, new Common Share Certificates for the Common Shares that were evidenced by your old Common Share Certificates, but were not tendered by you, will be sent to you, unless otherwise provided in the appropriate box on this Letter of Transmittal, as soon as practicable after the Expiration Date. All Common Shares represented by Common Share Certificates delivered to the Depositary will be deemed to have been tendered unless otherwise indicated.

5. Signatures on Letter of Transmittal, Stock Powers and Endorsements. If this Letter of Transmittal is signed by the registered holder(s) of the Common Shares tendered hereby, the signature(s) must correspond with the name(s) as written on the face of the Common Share Certificate(s) without alteration, enlargement or any change whatsoever.

If any of the Common Shares tendered hereby are owned of record by two or more joint owners, all such owners must sign this Letter of Transmittal. If any of the tendered Common Shares are registered in different names on several Common Share Certificates, it will be necessary to complete, sign and submit as many separate Letters of Transmittal as there are different registrations of Common Share Certificates.

If this Letter of Transmittal or any Common Share Certificates or stock powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing, and proper evidence satisfactory to Purchaser of their authority so to act must be submitted.

If this Letter of Transmittal is signed by the registered holder(s) of the Common Shares listed and transmitted hereby, no endorsements of Common Share Certificates or separate stock powers are required unless payment is to be made to, or Common Share Certificates for Common Shares not tendered or not purchased are to be issued in the name of, a person other than the registered holder(s). In such latter case, signatures on such Common Share Certificates or stock powers must be guaranteed by an Eligible Institution.

If this Letter of Transmittal is signed by a person other than the registered holder(s) of the Common Share Certificate(s) listed, the Common Share Certificate(s) must be endorsed or accompanied by appropriate stock powers, in either case signed exactly as the name(s) of the registered holder(s) appear on the Common Share Certificate(s). Signatures on such certificates or stock powers must be guaranteed by an Eligible Institution.

6. Stock Transfer Taxes. Except as otherwise provided in this Instruction 6, Purchaser will pay any stock transfer taxes with respect to the transfer and sale of Common Shares to it or its order pursuant to the Offer. If, however, payment of the purchase price is to be made to, or if Common Share Certificates for Common Shares not tendered or accepted for payment are to be registered in the name of, any person other than the registered holder(s), or if tendered Common Share Certificates are registered in the name of any person other than the person(s) signing this Letter of Transmittal, the amount of any stock transfer taxes (whether imposed on the registered holder(s) or such person) payable on account of the transfer to such person will be deducted from the purchase price, unless satisfactory evidence of the payment of such taxes or an exemption therefrom is submitted. Except as otherwise provided in this Instruction 6, it will not be necessary for transfer tax stamps to be affixed to the Common Share Certificate(s) listed in this Letter of Transmittal.

7. Special Payment and Delivery Instructions. If a check is to be issued in the name of, and/or Common Share Certificates for Common Shares not tendered or not accepted for payment are to be issued or returned to, a person other than the signer of this Letter of Transmittal or if a check and/or such Common Share Certificates are to be returned to a person other than the person(s) signing this Letter of Transmittal or to an address other than that shown in this Letter of Transmittal, the appropriate boxes on this Letter of Transmittal must be completed. A Book-Entry Stockholder may request that Common Shares not accepted for payment be credited to such account maintained at the Book-Entry Transfer Facility as such Book-Entry Stockholder may designate under "Special Payment Instructions." If no such instructions are given, such Common Shares not accepted for payment will be returned by crediting the account at the Book-Entry Transfer Facility designated above.

8. Waiver of Conditions. Subject to the terms and conditions of the Agreement and Plan of Merger (as defined in the Offer to Purchase), the conditions of the Offer may be waived by Purchaser in whole or in part at any time and from time to time in its sole discretion.

9. 31% Backup Withholding; Substitute Form W-9. Under U.S. federal income tax law, a stockholder whose tendered Common Shares are accepted for payment pursuant to the Offer may be subject to backup withholding at a rate of 31%. To prevent backup withholding on any payment made to a stockholder pursuant to the Offer, the stockholder is required to notify the Depositary of the stockholder's current taxpayer identification number ("TIN") by completing the enclosed Substitute Form W-9, certifying that the TIN provided on that form is correct (or that such stockholder is awaiting a TIN), and that (i) the stockholder has not been notified by the Internal Revenue Service that the stockholder is subject to backup withholding as a result of failure to report all interest or dividends or (ii) after being so notified, the Internal Revenue Service has notified the stockholder that the stockholder is no longer subject to backup withholding. If the Depositary is not provided with the correct TIN, such stockholder may be subject to a $50 penalty imposed by the Internal Revenue Service and payments that are made to such stockholder with respect to Common Shares pursuant to the Offer may be subject to backup withholding (see below).

Each stockholder is required to give the Depositary the TIN (e.g., Social Security number or employer identification number) of the record holder of the Common Shares. If the Common Shares are registered in more than one name or are not registered in the name of the actual owner, consult the enclosed "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9" for additional guidance on which number to report. A stockholder who does not have a TIN may check the box in Part 3 of the Substitute Form W-9 if such stockholder has applied for a number or intends to apply for a TIN in the near future. If the box in Part 3 is checked, the stockholder must also complete the "Certificate of Awaiting Taxpayer Identification Number" below in order to avoid backup withholding. If the box is checked, payments made will be subject to backup withholding unless the stockholder has furnished the Depositary with his or her TIN by the time payment is made. A stockholder who checks the box in Part 3 in lieu of furnishing such stockholder's TIN should furnish the Depositary with such stockholder's TIN as soon as it is received.

Certain stockholders (including, among others, all corporations and certain foreign individuals) are not subject to these backup withholding requirements. To avoid possible erroneous backup withholding, a stockholder who is exempt from backup withholding should complete the Substitute Form W-9 by providing his or her correct TIN, signing and dating the form, and writing exempt on the face of the form. A stockholder who is a foreign individual or a foreign entity should also submit to the Depositary a properly completed Form W-8, Certificate of Foreign Status (which the Depositary will provide upon request), signed under penalty of perjury, attesting to the stockholder's exempt status. Stockholders are urged to consult their own tax advisors to determine whether they are exempt from these backup withholding and reporting requirements.

If backup withholding applies, the Depositary is required to withhold 31% of any payments to be made to the stockholder. Backup withholding is not an additional tax. Rather, the tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund may be obtained by filing a tax return with the Internal Revenue Service. The Depositary cannot refund amounts withheld by reason of backup withholding.

10. Requests for Assistance or Additional Copies. Questions or requests for assistance may be directed to the Dealer Manager or the Information Agent at their respective addresses and telephone numbers set forth below. Additional copies of the Offer to Purchase, this Letter of Transmittal and the Notice of Guaranteed Delivery also may be obtained from the Information Agent or from brokers, dealers, commercial banks or trust companies.

11. Lost, Destroyed or Stolen Certificates. If any Common Share Certificate has been lost, destroyed or stolen, the stockholder should promptly notify the Transfer Agent at (800) 432-0140. The stockholder then will be instructed as to the steps that must be taken in order to replace the Common Share Certificate. This Letter of Transmittal and related documents cannot be processed until the procedures for replacing lost or destroyed Common Share Certificates have been followed.

Important: This Letter of Transmittal (or a facsimile hereof), together with Common Share Certificates or confirmation of book-entry transfer or the Notice of Guaranteed Delivery, and all other required documents, must be received by the Depositary on or prior to the Expiration Date.

EQUISERVE TRUST COMPANY

SUBSTITUTE Form W-9	Part 1--PLEASE PROVIDE YOUR TIN IN THE BOX AT THE RIGHT AND CERTIFY BY SIGNING AND DATING BELOW	Social Security Number OR Employer Identification Number
Department of the Treasury Internal Revenue Service		----------------------
EquiServe Trust Company's Request for Taxpayer Identification Number ("TIN")		

Part 2--Certificate--Under penalties of perjury, I certify that:

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(1) The number shown on this form is my correct Taxpayer Identification Number (or I am waiting for a number to be issued to me); and

(2) I am not subject to backup withholding because (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (the "IRS") that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) after being so notified, the IRS has notified me that I am no longer subject to backup withholding.

Certification Instructions--You must cross out item (2) above if you have been notified by the IRS that you are subject to backup withholding because of underreporting interest or dividends on your tax return. However, if after being notified by the IRS that you were subject to backup withholding you received another notification from the IRS stating that your are no longer subject to backup withholding, do not cross out such item (2).

Signature :____ [_] Part 3-- Awaiting TIN

Name: ________________________ Date :_______________

Address: ____

(Please Print)

NOTE: FAILURE TO COMPLETE AND RETURN THIS FORM MAY RESULT IN BACKUP WITHHOLDING OF 31% OF ANY PAYMENTS MADE TO YOU PURSUANT TO THE OFFER. PLEASE REVIEW THE ENCLOSED GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9 FOR ADDITIONAL DETAILS. YOU MUST COMPLETE THE FOLLOWING CERTIFICATE IF YOU CHECKED THE BOX IN PART 3 OF SUBSTITUTE FORM W-9.

CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER

I certify under penalties of perjury that a taxpayer identification number has not been issued to me, and either (a) I have mailed or delivered an application to receive a taxpayer identification number to the appropriate Internal Revenue Service Center or Social Security Administration Office, or (b) I intend to mail or deliver an application in the near future. I understand that if I do not provide a taxpayer identification number by the time of payment, 31% of all reportable payments made to me will be withheld.

Signature :_______________________ Date :_____________ , 2001

Questions and requests for assistance may be directed to the Information Agent or Dealer Manager at their respective addresses and telephone numbers set forth below. Additional copies of the Offer to Purchase, this Letter of Transmittal or other related tender offer materials may be obtained from the Information Agent or from brokers, dealers, commercial banks or trust companies.

The Information Agent for the Offer is:

[LOGO OF GEORGESON SHAREHOLDER COMMUNICATIONS INC.]

17 State Street, 10th floor
New York, New York 10004

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

Call Toll Free: (877) 319-4978

LETTER OF TRANSMITTAL
To Tender Shares of Series B $2 Cumulative Preferred Stock

of

Litton Industries, Inc.

at

$35.00 Net Per Share
Pursuant to the Offer to Purchase Dated January 5, 2001

of

LII Acquisition Corp.,
a wholly owned subsidiary of
Northrop Grumman Corporation

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME,
ON FRIDAY, FEBRUARY 2, 2001, UNLESS THE OFFER IS EXTENDED.

The Depositary for the Offer is:

EQUISERVE TRUST COMPANY

By Mail:
EQUISERVE TRUST COMPANY
P.O. Box 842010
Boston, Massachusetts
02284-2010

By Hand:
EQUISERVE TRUST COMPANY
c/o Securities Transfer and
Reporting Services, Inc.
100 William Street--Galleria
New York, New York 10038

By Overnight Delivery:
EQUISERVE TRUST COMPANY
40 Campanelli Drive
Braintree, Massachusetts
02184

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

By Confirmation Receipt of Facsimile
by Telephone Only:
(781) 575-4816

Delivery of this Letter of Transmittal to an address other than as set forth above, or transmissions of instructions via a facsimile number other than as set forth above, will not constitute a valid delivery. The instructions accompanying this Letter of Transmittal should be read carefully before this Letter of Transmittal is completed. You must sign this Letter of Transmittal in the appropriate space provided therefor, with signature guarantee if required, and complete the substitute form W-9 set forth below. See Instruction 9.

DESCRIPTION OF PREFERRED SHARES TENDERED

Name(s) and Address(es) of Registered Holder(s) (Please fill in, if blank, exactly as name(s) appear(s) on Preferred Share Certificate(s))	Preferred Share Certificate(s) and Preferred Shares Tendered (Attach additional signed list if necessary) See Instruction 3.		
	Preferred Share Certificate Number(s)*	Total Number of Preferred Shares Represented by Certificate(s)	Number of Preferred Shares Tendered**
	Total Preferred		

Shares

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* Need not be completed by stockholder delivering by book-entry transfer.

** Unless otherwise indicated it will be assumed that all Preferred Shares evidenced by any certificates delivered to the Depositary are being tendered. See Instruction 4.

This Letter of Transmittal is to be completed by stockholders, either if Preferred Share Certificates (as defined below) are to be forwarded herewith or, unless an Agent's Message (as defined in the Offer to Purchase, as referred to below) is utilized, if tenders of Preferred Shares (as defined below) are to be made by book-entry transfer into the account of EquiServe Trust Company, as Depositary (the "Depositary"), at The Depository Trust Company (the "Book-Entry Transfer Facility") pursuant to the procedures set forth in Section 3 of the Offer to Purchase. Stockholders who tender Preferred Shares by book-entry transfer are referred to herein as "Book-Entry Stockholders." Stockholders whose Preferred Share Certificates are not immediately available or who cannot deliver their Preferred Share Certificates and all other required documents to the Depositary on or prior to the Expiration Date (as defined in the Offer to Purchase), or who cannot complete the procedure for book-entry transfer on a timely basis, must tender their Preferred Shares according to the guaranteed delivery procedure set forth in Section 3 of the Offer to Purchase. See Instruction 2. DELIVERY OF DOCUMENTS TO THE BOOK-ENTRY TRANSFER FACILITY DOES NOT CONSTITUTE DELIVERY TO THE DEPOSITARY.

SPECIAL TENDER INSTRUCTIONS

[_]CHECK HERE IF PREFERRED SHARES ARE BEING TENDERED BY BOOK-ENTRY TRANSFER MADE TO AN ACCOUNT MAINTAINED BY THE DEPOSITARY WITH THE BOOK-ENTRY TRANSFER FACILITY AND COMPLETE THE FOLLOWING (ONLY PARTICIPANTS IN THE BOOK-ENTRY TRANSFER FACILITY MAY DELIVER PREFERRED SHARES BY BOOK-ENTRY TRANSFER):

Name of Tendering Institution: ____

Account Number: ____

Transaction Code Number: ____

[_]CHECK HERE IF PREFERRED SHARES ARE BEING TENDERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY PREVIOUSLY SENT TO THE DEPOSITARY AND COMPLETE THE FOLLOWING (please enclose a photocopy of such notice of guaranteed delivery):

Name of Registered Owner(s): ____

Window Ticket Number (if any): ____

Date of Execution of Notice of Guaranteed Delivery: _________________________

Name of Institution that Guaranteed Delivery: _______________________________

Account Number: ____

Transaction Code Number: ____

NOTE: SIGNATURES MUST BE PROVIDED ON PAGE 6

PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY

Ladies and Gentlemen:

The undersigned hereby tenders to LII Acquisition Corp., a Delaware corporation ("Purchaser") and a wholly owned subsidiary of Northrop Grumman Corporation, a Delaware corporation, the above described shares of Series B $2 Cumulative Preferred Stock, par value $5.00 per share (the "Preferred Shares" and the certificates representing such Preferred Shares, the "Preferred Share Certificates") of Litton Industries, Inc., a Delaware corporation (the "Company"), at a price of $35.00 per Preferred Share, net to the seller in cash, less any required withholding of taxes and without the payment of interest, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated January 5, 2001 (the "Offer to Purchase"), receipt of which is hereby acknowledged, and in this Letter of Transmittal (the "Letter of Transmittal," which, together with the Offer to Purchase, as each may be amended or supplemented from time to time, collectively constitute the "Offer").

Subject to, and effective upon, acceptance for payment of the Preferred Shares tendered herewith in accordance with the terms of the Offer, the undersigned hereby sells, assigns and transfers to, or upon the order of, Purchaser all right, title and interest in and to all of the Preferred Shares that are being tendered hereby and any and all Preferred Shares or other securities issued, paid or distributed or issuable, payable or distributable in respect of such Preferred Shares on or after January 5, 2001, 2001, and prior to the transfer to the name of Purchaser (or a nominee or transferee of Purchaser) on the Company's stock transfer records of the Preferred Shares tendered herewith (collectively, a "Distribution"), and irrevocably appoints the Depositary the true and lawful agent, attorney-in-fact and proxy of the undersigned with respect to such Preferred Shares (and any Distribution), with full power of substitution (such power of attorney being deemed to be an irrevocable power coupled with an interest) to (a) deliver such Preferred Share Certificates (and any Distribution) or transfer ownership of such Preferred Shares (and any Distribution) on the account books maintained by the Book-Entry Transfer Facility, together, in either case, with appropriate evidences of transfer, to the Depositary for the account of Purchaser, (b) present such Preferred Shares (and any Distribution) for transfer on the books of the Company, and (c) receive all benefits and otherwise exercise all rights of beneficial ownership of such Preferred Shares (and any Distribution), all in accordance with the terms and subject to the conditions of the Offer.

The undersigned irrevocably appoints designees of Purchaser as such undersigned's agents, attorneys-in-fact and proxies, with full power of substitution, to the full extent of the undersigned's rights with respect to the Preferred Shares (and any Distribution) tendered by the undersigned and accepted for payment by Purchaser. All such powers of attorney and proxies shall be considered irrevocable and coupled with an interest. Such appointment will be effective when, and only to the extent that, Purchaser accepts such Preferred Shares for payment. Upon such acceptance for payment, all prior powers of attorney, proxies and consents given by the undersigned with respect to such Preferred Shares (and any Distribution) will be revoked without further action, and no subsequent powers of attorney and proxies may be given nor any subsequent written consents executed (and, if given or executed, will not be deemed effective). The designees of Purchaser will, with respect to the Preferred Shares (and any Distribution) for which such appointment is effective, be empowered to exercise all voting and other rights of the undersigned as they in their sole discretion may deem proper at any annual or special meeting of Company stockholders or any adjournment or postponement thereof, by written consent in lieu of any such meeting or otherwise. Purchaser reserves the right to require that, in order for the Preferred Shares to be deemed validly tendered, immediately upon Purchaser's acceptance of such Preferred Shares, Purchaser must be able to exercise full voting rights with respect to such Preferred Shares (and any Distribution), including, without limitation, voting at any meeting of stockholders.

The undersigned hereby represents and warrants that (a) the undersigned has full power and authority to tender, sell, assign and transfer the undersigned's Preferred Shares (and any Distribution) tendered hereby, and (b) when the Preferred Shares are accepted for payment by Purchaser, Purchaser will acquire good, marketable and unencumbered title to the Preferred Shares (and any Distribution), free and clear of all liens, restrictions, charges and encumbrances, and the same will not be subject to any adverse claim and will not have been transferred to Purchaser in violation of any contractual or other restriction on the transfer thereof. The undersigned, upon request, will execute and deliver any additional documents deemed

by the Depositary or Purchaser to be necessary or desirable to complete the sale, assignment and transfer of the Preferred Shares (and any Distribution) tendered hereby. In addition, the undersigned shall promptly remit and transfer to the Depositary for the account of Purchaser any and all Distributions in respect of the Preferred Shares tendered hereby, accompanied by appropriate documentation of transfer, and, pending such remittance or appropriate assurance thereof, Purchaser will be, subject to applicable law, entitled to all rights and privileges as the owner of any such Distribution and may withhold the entire purchase price or deduct from the purchase price the amount or value thereof, as determined by Purchaser, in its sole discretion.

All authority herein conferred or agreed to be conferred shall not be affected by and shall survive the death or incapacity of the undersigned and any obligation of the undersigned hereunder shall be binding upon the heirs, personal representatives, successors and assigns of the undersigned.

Tenders of Preferred Shares made pursuant to the Offer are irrevocable, except that Preferred Shares tendered pursuant to the Offer may be withdrawn at any time prior to the Expiration Date, and, unless theretofore accepted for payment by the Purchaser pursuant to the Offer, may also be withdrawn at any time after Tuesday, March 6, 2001. See Section 4 of the Offer to Purchase.

The undersigned understands that tenders of Preferred Shares pursuant to any of the procedures described in Section 3 of the Offer to Purchase and in the instructions hereto will constitute a binding agreement between the undersigned and Purchaser upon the terms and subject to the conditions set forth in the Offer, including the undersigned's representation that the undersigned owns the Preferred Shares being tendered.

Unless otherwise indicated herein under "Special Payment Instructions," please issue the check for the purchase price and/or issue or return any certificate(s) for Preferred Shares not tendered or not accepted for payment in the name(s) of the registered holder(s) appearing under "Description of Preferred Shares Tendered." Similarly, unless otherwise indicated herein under "Special Delivery Instructions," please mail the check for the purchase price and/or any Preferred Share Certificate(s) not tendered or not accepted for payment (and accompanying documents, as appropriate) to the address(es) of the registered holder(s) appearing under "Description of Preferred Shares Tendered." In the event that both the "Special Delivery Instructions" and the "Special Payment Instructions" are completed, please issue the check for the purchase price and/or any Preferred Share Certificate(s) not tendered or accepted for payment in the name of, and deliver such check and/or such Preferred Share Certificates to, the person or persons so indicated. Unless otherwise indicated herein under "Special Payment Instructions," please credit any Perferred Shares tendered herewith by book-entry transfer that are not accepted for payment by crediting the account at the Book-Entry Transfer Facility designated above. The undersigned recognizes that Purchaser has no obligation, pursuant to the Special Payment Instructions, to transfer any Preferred Shares from the name(s) of the registered holder(s) thereof if Purchaser does not accept for payment any of the Preferred Shares so tendered.

[_]CHECK HERE IF ANY PREFERRED SHARE CERTIFICATES REPRESENTING PREFERRED SHARES THAT YOU OWN HAVE BEEN LOST, STOLEN OR DESTROYED AND SEE INSTRUCTION 11.

Number of Preferred Shares represented by lost, stolen or destroyed Preferred Share Certificates: ____________________________

* YOU MUST CONTACT THE TRANSFER AGENT TO HAVE ALL LOST PREFERRED SHARE CERTIFICATES REPLACED IF YOU WANT TO TENDER SUCH PREFERRED SHARES. SEE PARAGRAPH 11 OF THE ATTACHED INSTRUCTIONS FOR CONTACT INFORMATION FOR THE TRANSFER AGENT.

SPECIAL PAYMENT INSTRUCTIONS
(See Instructions 1, 5, 6, and 7)

To be completed ONLY if Preferred Share Certificate(s) not tendered or not accepted for payment and/or the check for the purchase price of Preferred Shares accepted for payment are to be issued in the name of someone other than the undersigned or if Preferred Shares tendered by book-entry transfer that are not accepted for payment are to be returned by credit to an account maintained at the Book-Entry Transfer Facility other than that designated above.

Issue [_] Check and/or [_] Preferred Share Certificate(s) to:

Name: ____________________________
(Please Print)

Address: __________________________

____

____
(Include Zip Code)

____
(Tax Identification or Social Security No.)

(See Substitute Form W-9 Included Herein)

[_]Credit Preferred Shares tendered by book-entry transfer that are not accepted for payment to Depositary to the account set forth below:

____

____
(Depositary Account Number)

SPECIAL DELIVERY INSTRUCTIONS
(See Instructions 1, 5, 6 and 7)

To be completed ONLY if Preferred Share Certificate(s) not tendered or not accepted for payment and/or the check for the purchase price of Preferred Shares accepted for payment are to be issued in the name of someone other than the undersigned or to the undersigned at an address other than that shown above.

Issue [_] Check and/or [_] Preferred Shar Certificate(s) to:

Name: ____________________________
(Please Print)

Address: __________________________

____

____

____

____
(Include Zip Code)

____
(Tax Identification or Social Security No.)

(See Substitute Form W-9 Included Herein)

SIGN HERE
(And Complete Accompanying Substitute Form W-9)

Signature(s) of Holder(s)
(See guarantee requirement below)

Dated: ____ , 2001

Must be signed by registered holder(s) exactly as name(s) appear(s) on Preferred Share Certificate(s). If signed by person(s) to whom the Preferred Shares represented hereby have been assigned or transferred as evidenced by endorsement or stock powers transmitted herewith, the signatures must be guaranteed. If signature is by an officer on behalf of a corporation or by an executor, administrator, trustee, guardian, attorney, agent or any other person acting in a fiduciary or representative capacity, please provide the following information. (See Instructions 2, 3 and 5.)

Name(s): ____

____
(Please Print)

Capacity (full title): ____

Address: ____
(Zip Code)

Area Code and Telephone No.: ____

Tax Identification or Social Security No.: _________________________________

GUARANTEE OF SIGNATURE(S)
(See Instructions 1, 2 And 5)

Authorized Signature: ____

Name: ____
(Please Print)

Capacity (full title): ____

Name of Firm: ____

Address: ____

____

____
(Zip Code)

Area Code and Telephone No.: ____

Dated: ____ , 2001

INSTRUCTIONS

FORMING PART OF THE TERMS AND CONDITIONS OF THE OFFER

1. Guarantee of Signatures. No signature guarantee is required on this Letter of Transmittal if: (a) this Letter of Transmittal is signed by the registered holder(s) of Preferred Shares (which term, for purposes of this document, shall include any participant in the Book-Entry Transfer Facility whose name appears on a security position listing as the owner of Preferred Shares) tendered herewith, unless such holder(s) has completed either the box entitled "Special Payment Instructions" or the box entitled "Special Delivery Instructions," or (b) such Preferred Shares are tendered for the account of a firm which is a bank, broker, dealer, credit union, savings association or other entity which is a member in good standing of a recognized Medallion Program approved by the Securities Transfer Association Inc., including the Securities Transfer Agents Medallion Program (STAMP), the Stock Exchange Medallion Program (SEMP) and the New York Stock Exchange Medallion Signature Program (MSP), or any other "eligible guarantor institution" (as defined in Rule 17Ad-15 under the Securities Exchange Act of 1934) (each of the foregoing, an "Eligible Institution"'). In all other cases, all signatures on this Letter of Transmittal must be guaranteed by an Eligible Institution. See Instruction 5 of this Letter of Transmittal.

2. Requirements of Tender. This Letter of Transmittal is to be completed by stockholders either if Preferred Share Certificates are to be forwarded herewith or, unless an Agent's Message is utilized, if tenders are to be made pursuant to the procedure for tender by book-entry transfer set forth in Section 3 of the Offer to Purchase. Preferred Share Certificates evidencing tendered Preferred Shares, or timely confirmation (a "Book-Entry Confirmation") of a book-entry transfer of Preferred Shares into the Depositary's account at the Book-Entry Transfer Facility, as well as this Letter of Transmittal (or a facsimile hereof), properly completed and duly executed, with any required signature guarantees, or an Agent's Message in connection with a book-entry transfer, and any other documents required by this Letter of Transmittal, must be received by the Depositary at one of its addresses set forth herein on or prior to the Expiration Date. Stockholders whose Preferred Share Certificates are not immediately available or who cannot deliver their Preferred Share Certificates and all other required documents to the Depositary on or prior to the Expiration Date or who cannot complete the procedure for delivery by book-entry transfer on a timely basis may tender their Preferred Shares by properly completing and duly executing a Notice of Guaranteed Delivery pursuant to the guaranteed delivery procedure set forth in Section 3 of the Offer to Purchase. Pursuant to such procedure: (a) such tender must be 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 Purchaser, must be received by the Depositary on or prior to the Expiration Date; and (c) the Preferred Share Certificates (or a Book-Entry Confirmation) representing all tendered Preferred Shares in proper form for transfer, in each case, together with this Letter of Transmittal (or a facsimile thereof), properly completed and duly executed, with any required signature guarantees (or, in the case of a book-entry delivery, an Agent's Message) and any other documents required by this Letter of Transmittal, must be received by the Depositary within three New York Stock Exchange trading days after the date of execution of such Notice of Guaranteed Delivery. If Preferred Share Certificates are forwarded separately in multiple deliveries to the Depositary, a properly completed and duly executed Letter of Transmittal (or a facsimile thereof) must accompany each such delivery.

The method of delivery of this Letter of Transmittal, Preferred Share Certificates and all other required documents, including delivery through the Book-Entry Transfer Facility, is at the option and risk of the tendering stockholder, and the delivery will be deemed made only when actually received by the Depositary (including, in the case of book-entry transfer, by Book-Entry Confirmation). If delivery is by mail, registered mail with return receipt requested and properly insured is recommended. In all cases, sufficient time should be allowed to ensure timely delivery. No alternative, conditional or contingent tenders will be accepted and no fractional Preferred Shares will be purchased. All tendering stockholders, by execution of this Letter of Transmittal (or a facsimile hereof if by an Eligible Institution), waive any right to receive any notice of the acceptance of their Preferred Shares for payment.

3. Inadequate Space. If the space provided herein is inadequate, the Preferred Share Certificate numbers and/or the number of Preferred Shares and any other required information should be listed on a separate signed schedule attached hereto.

4. Partial Tenders (Not Applicable to Stockholders Who Tender by Book-Entry Transfer). If fewer than all the Preferred Shares evidenced by any Preferred Share Certificate submitted are to be tendered, fill in the number of Preferred

Shares which are to be tendered in the box entitled "Number of Preferred Shares Tendered" in the "Description of Preferred Shares Tendered." In such cases, new Preferred Share Certificates for the Preferred Shares that were evidenced by your old Preferred Share Certificates, but were not tendered by you, will be sent to you, unless otherwise provided in the appropriate box on this Letter of Transmittal, as soon as practicable after the Expiration Date. All Preferred Shares represented by Preferred Share Certificates delivered to the Depositary will be deemed to have been tendered unless otherwise indicated.

5. Signatures on Letter of Transmittal, Stock Powers and Endorsements. If this Letter of Transmittal is signed by the registered holder(s) of the Preferred Shares tendered hereby, the signature(s) must correspond with the name(s) as written on the face of the Preferred Share Certificate(s) without alteration, enlargement or any change whatsoever.

If any of the Preferred Shares tendered hereby are owned of record by two or more joint owners, all such owners must sign this Letter of Transmittal. If any of the tendered Preferred Shares are registered in different names on several Preferred Share Certificates, it will be necessary to complete, sign and submit as many separate Letters of Transmittal as there are different registrations of Preferred Share Certificates.

If this Letter of Transmittal or any Preferred Share Certificates or stock powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing, and proper evidence satisfactory to Purchaser of their authority so to act must be submitted.

If this Letter of Transmittal is signed by the registered holder(s) of the Preferred Shares listed and transmitted hereby, no endorsements of Preferred Share Certificates or separate stock powers are required unless payment is to be made to, or Preferred Share Certificates for Preferred Shares not tendered or not purchased are to be issued in the name of, a person other than the registered holder(s). In such latter case, signatures on such Preferred Share Certificates or stock powers must be guaranteed by an Eligible Institution.

If this Letter of Transmittal is signed by a person other than the registered holder(s) of the Preferred Share Certificate(s) listed, the Preferred Share Certificate(s) must be endorsed or accompanied by appropriate stock powers, in either case signed exactly as the name(s) of the registered holder(s) appear on the Preferred Share Certificate(s). Signatures on such certificates or stock powers must be guaranteed by an Eligible Institution.

6. Stock Transfer Taxes. Except as otherwise provided in this Instruction 6, Purchaser will pay any applicable stock transfer taxes with respect to the transfer and sale of Preferred Shares to it or its order pursuant to the Offer. If, however, payment of the purchase price is to be made to, or if Preferred Share Certificates for Preferred Shares not tendered or accepted for payment are to be registered in the name of, any person other than the registered holder(s), or if tendered Preferred Share Certificates are registered in the name of any person other than the person(s) signing this Letter of Transmittal, the amount of any stock transfer taxes (whether imposed on the registered holder(s) or such person) payable on account of the transfer to such person will be deducted from the purchase price, if applicable, unless satisfactory evidence of the payment of such taxes or an exemption therefrom is submitted. Except as otherwise provided in this Instruction 6, it will not be necessary for transfer tax stamps to be affixed to the Preferred Share Certificate(s) listed in this Letter of Transmittal.

7. Special Payment and Delivery Instructions. If a check is to be issued in the name of, and/or Preferred Share Certificates for Preferred Shares not tendered or not accepted for payment are to be issued or returned to, a person other than the signer of this Letter of Transmittal or if a check and/or such Preferred Share Certificates are to be returned to a person other than the person(s) signing this Letter of Transmittal or to an address other than that shown in this Letter of Transmittal, the appropriate boxes on this Letter of Transmittal must be completed. A Book-Entry Stockholder may request that Preferred Shares not accepted for payment be credited to such account maintained at the Book-Entry Transfer Facility as such Book-Entry Stockholder may designate under "Special Payment Instructions." If no such instructions are given, such Preferred Shares not accepted for payment will be returned by crediting the account at the Book-Entry Transfer Facility designated above.

8. Waiver of Conditions. Subject to the terms and conditions of the Agreement and Plan of Merger (as defined in the Offer to Purchase), the conditions of the Offer may be waived by Purchaser in whole or in part at any time and from time to time in its sole discretion.

9. 31% Backup Withholding; Substitute Form W-9. Under U.S. federal income tax law, a stockholder whose tendered Preferred Shares are accepted for payment pursuant to the Offer is required to provide the Depositary with such stockholder's correct taxpayer identification number ("TIN") on Substitute Form W-9 and to certify that the TIN provided on Substitute Form W-9 is correct (or that such stockholder is awaiting a TIN). If such stockholder is an individual, the TIN is his or her social security number. If the Depositary is not provided with the correct TIN, such stockholder may be subject to a $50 penalty imposed by the Internal Revenue Service and payments that are made to such stockholder with respect to Preferred Shares pursuant to the Offer may be subject to backup withholding (see below).

A stockholder who does not have a TIN may check the box in Part 3 of the Substitute Form W-9 if such stockholder has applied for a number or intends to apply for a TIN in the near future. If the box in Part 3 is checked, the stockholder must also complete the "Certificate of Awaiting Taxpayer Identification Number" below in order to avoid backup withholding. If the box is checked, payments made will be subject to backup withholding unless the stockholder has furnished the Depositary with his or her TIN within 60 days. A stockholder who checks the box in Part 3 in lieu of furnishing such stockholder's TIN should furnish the Depositary with such stockholder's TIN as soon as it is received.

Certain stockholders (including, among others, all corporations and certain foreign individuals) are not subject to these backup withholding requirements. In order for a foreign individual to qualify as an exempt recipient, that stockholder must submit a statement, signed under penalties of perjury, attesting to that individual's exempt status (Form W-8). Forms for such statements can be obtained from the Depositary. Stockholders are urged to consult their own tax advisors to determine whether they are exempt from these backup withholding and reporting requirements.

If backup withholding applies, the Depositary is required to withhold 31% of any payments to be made to the stockholder. Backup withholding is not an additional tax. Rather, the tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund may be obtained by filing a tax return with the Internal Revenue Service. The Depositary cannot refund amounts withheld by reason of backup withholding.

10. Requests for Assistance or Additional Copies. Questions or requests for assistance may be directed to the Dealer Manager or the Information Agent at their respective addresses and telephone numbers set forth below. Additional copies of the Offer to Purchase, this Letter of Transmittal and the Notice of Guaranteed Delivery also may be obtained from the Information Agent or from brokers, dealers, commercial banks or trust companies.

11. Lost, Destroyed or Stolen Certificates. If any Preferred Share Certificate has been lost, destroyed or stolen, the stockholder should promptly notify the Transfer Agent at (800) 432-0140. The stockholder then will be instructed as to the steps that must be taken in order to replace the Preferred Share Certificate. This Letter of Transmittal and related documents cannot be processed until the procedures for replacing lost or destroyed Preferred Share Certificates have been followed.

Important: This Letter of Transmittal (or a facsimile hereof), together with Preferred Share Certificates or confirmation of book-entry transfer or the Notice of Guaranteed Delivery, and all other required documents, must be received by the Depositary on or prior to the Expiration Date.

EQUISERVE TRUST COMPANY:

SUBSTITUTE Form W-9 Department of the Treasury Internal Revenue Service EquiServe Trust Company's Request for Taxpayer Identification Number ("TIN")	Part 1--PLEASE PROVIDE YOUR TIN IN THE BOX AT RIGHT AND CERTIFY BY SIGNING AND DATING BELOW.	Social Security Number OR Employer Identification Number ----------------------

Part 2--Certification--Under penalties of perjury, I certify that:

(1) The number shown on this form is my correct Taxpayer Identification Number (or I am waiting for a number to be issued to me); and

(2) I am not subject to backup withholding because (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (the "IRS") that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding.

CERTIFICATION INSTRUCTIONS--You must cross out item (2) above if you have been notified by the IRS that you are subject to backup withholding because of under-reporting interest or dividends on your tax return. However, if after being notified by the IRS that you were subject to backup withholding you received another notification from the IRS stating that your are no longer subject to backup withholding, do not cross out such item (2).

SIGNATURE: ___________________ [_] Part 3--Awaiting TIN

NAME: ________________________ DATE: ______ , 2001
(Please Print)

NOTE: FAILURE TO COMPLETE AND RETURN THIS FORM MAY RESULT IN BACKUP WITHHOLDING OF 31% OF ANY PAYMENTS MADE TO YOU PURSUANT TO THE OFFER. PLEASE REVIEW THE ENCLOSED GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9 FOR ADDITIONAL DETAILS.

YOU MUST COMPLETE THE FOLLOWING CERTIFICATE IF YOU CHECKED THE BOX IN PART 3 OF SUBSTITUTE FORM W-9.

CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER

I certify under penalties of perjury that a taxpayer identification number has not been issued to me, and either (a) I have mailed or delivered an application to receive a taxpayer identification number to the appropriate Internal Revenue Service Center or Social Security Administration Office, or (b) I intend to mail or deliver an application in the near future. I understand that if I do not provide a taxpayer identification number by the time of payment, 31% of all reportable payments made to me will be withheld.

Signature: _______________________ Date: _____________ , 2001

Questions and requests for assistance may be directed to the Information Agent or Dealer Manager at their respective addresses and telephone numbers set forth below. Additional copies of the Offer to Purchase, this Letter of Transmittal or other related tender offer materials may be obtained from the Information Agent or from brokers, dealers, commercial banks or trust companies.

The Information Agent for the Offer is:

[LOGO OF GEORGESON SHAREHOLDER COMMUNICATIONS INC.]

17 State Street, 10th floor
New York, New York 10004

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

Call Toll Free: (877) 319-4978

EXHIBIT 99.(a)(1)(iii)

NOTICE OF GUARANTEED DELIVERY
(Not to Be Used for Signature Guarantees)

for

Tender of Shares of Common Stock
(together with associated rights)

of

Litton Industries, Inc

at

$80.00 Net Per Share

to

LII Acquisition Corp.
a wholly owned subsidiary of
Northrop Grumman Corporation

This Notice of Guaranteed Delivery or one substantially equivalent hereto must be used to accept the Offer (as defined below) if certificates representing shares of Common Stock, par value $1.00 per share, of Litton Industries, Inc. (together with the associated rights to purchase preferred stock of Litton Industries, Inc. pursuant to the Rights Agreement dated as of August 17, 1994 between Litton Industries, Inc. and the Bank of New York, the "Common Shares" and the certificates representing such Common Shares, the "Common Share Certificates") are not immediately available or time will not permit the Common Share Certificates and all required documents to reach the Depositary (as defined in the Offer to Purchase) on or prior to the Expiration Date (as defined in the Offer to Purchase) or if the procedures for delivery by book-entry transfer, as set forth in the Offer to Purchase, cannot be completed on a timely basis. This Notice of Guaranteed Delivery may be delivered by hand or transmitted by facsimile transmission or mailed to the Depositary. See Section 3 of the Offer to Purchase.

The Depositary for the Offer is:

EQUISERVE TRUST COMPANY

By Mail:	By Hand:	By Overnight Delivery:
EQUISERVE TRUST COMPANY P.O. Box 842010 Boston, Massachusetts 02284-2010	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:	Confirm Receipt of Facsimile
(Eligible Institutions Only) (781) 575-4826 or (781) 575-4827	by Telephone Only: (781) 575-4816

DELIVERY OF THIS NOTICE OF GUARANTEED DELIVERY TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE, OR TRANSMISSIONS OF INSTRUCTIONS VIA A FACSIMILE NUMBER OTHER THAN AS SET FORTH ABOVE, WILL NOT CONSTITUTE A VALID DELIVERY.

THIS NOTICE OF GUARANTEED DELIVERY IS NOT TO BE USED TO GUARANTEE SIGNATURES. IF A SIGNATURE ON A LETTER OF TRANSMITTAL IS REQUIRED TO BE GUARANTEED BY AN ELIGIBLE INSTITUTION UNDER THE INSTRUCTIONS THERETO, SUCH SIGNATURE GUARANTEE MUST APPEAR IN THE APPLICABLE SPACE PROVIDED IN THE SIGNATURE BOX IN THE LETTER OF TRANSMITTAL.

THE GUARANTEE ON THE REVERSE SIDE MUST BE COMPLETED.

Ladies and Gentlemen:

The undersigned hereby tenders to LII Acquisition Corp., a Delaware corporation ("Purchaser") and a wholly owned subsidiary of Northrop Grumman Corporation, a Delaware corporation, in accordance with the terms and subject to the conditions set forth in Purchaser's Offer to Purchase, dated January 5, 2001 (the "Offer to Purchase"), and in the related Letter of Transmittal (the "Letter of Transmittal," which, together with the Offer to Purchase, as each may be amended or supplemented from time to time, collectively constitute the "Offer"), receipt of which is hereby acknowledged, the number of Common Shares indicated below pursuant to the procedures for guaranteed delivery set forth in Section 3 of the Offer to Purchase.

Certificate Nos. (If Available): ____

Number of Common Shares: ____

(Check if Common Shares will be tendered by book-entry transfer) [_]

Account Number: ____

Dated: ____, 2001

Name(s) of Record Holder(s): ____
(Please type or print)

Address(es): ____

Zip Code: ____

Area Code and Tel. No(s): ____

Signature(s): ____

GUARANTEE
(NOT TO BE USED FOR SIGNATURE GUARANTEE)

The undersigned, a bank, broker, dealer, credit union, savings association or other entity which is a member in good standing of a recognized Medallion Program approved by the Securities Transfer Association Inc., including the Securities Transfer Agents Medallion Program (STAMP), the Stock Exchange Medallion Program (SEMP) and the New York Stock Exchange Medallion Signature Program (MSP), or any other "eligible guarantor institution" as defined in Rule 17Ad-15 under the Securities Exchange Act of 1934 ("Exchange Act"), (a) represents that the above named person(s) "own(s)" the Common Shares tendered hereby within the meaning of Rule 14e-4 promulgated under Exchange Act, (b) represents that such tender of Common Shares complies with Rule 14e-4 under the Exchange Act, and (c) guarantees to deliver to the Depositary either the Common Share Certificates evidencing all tendered Common Shares, in proper form for transfer, or a Book-Entry Confirmation (as defined in the Offer to Purchase) with respect to such Common Shares, in either case, together with the Letter of Transmittal (or a facsimile thereof), properly completed and duly executed, with any required signature guarantees or an Agent's Message (as defined in the Offer to Purchase) in the case of a book-entry delivery, and any other required documents, all within three New York Stock Exchange trading days after the date hereof. The eligible guarantor institution that completes this form must communicate the guarantee to the Depositary and must deliver the Letter of Transmittal and Common Share Certificates to the Depositary within the time period indicated herein. Failure to do so may result in financial loss to such eligible guarantor institution.

Name of Firm: ____

Authorized Signature: ____

Name: ____
(Please Print or Type)

Title: ____

Address: ____

Zip Code: ____

Area Code and Telephone Number: ____

Dated: , 2001

NOTE: DO NOT SEND SHARE CERTIFICATES WITH THIS NOTICE. SHARE CERTIFICATES SHOULD BE SENT WITH YOUR LETTER OF TRANSMITTAL.

NOTICE OF GUARANTEED DELIVERY
(Not To Be Used For Signature Guarantees)

for

Tender of Shares of Series B $2 Cumulative Preferred Stock

of

Litton Industries, Inc.

at

$35.00 Net Per Share

to

LII Acquisition Corp.
a wholly owned subsidiary of
Northrop Grumman Corporation

This Notice of Guaranteed Delivery or one substantially equivalent hereto must be used to accept the Offer (as defined below) if certificates representing shares of Series B $2 Cumulative Preferred Stock, par value $5.00 per share, of Litton Industries, Inc. (the "Preferred Shares" and the certificates representing such Preferred Shares, the "Preferred Share Certificates") are not immediately available or time will not permit the Preferred Share Certificates and all required documents to reach the Depositary (as defined in the Offer to Purchase) on or prior to the Expiration Date (as defined in the Offer to Purchase) or if the procedures for delivery by book-entry transfer, as set forth in the Offer to Purchase, cannot be completed on a timely basis. This Notice of Guaranteed Delivery may be delivered by hand or transmitted by facsimile transmission or mailed to the Depositary. See Section 3 of the Offer to Purchase.

The Depositary for the Offer is:

EQUISERVE TRUST COMPANY

By Mail:	By Hand:	By Overnight Delivery:
EQUISERVE TRUST COMPANY	EQUISERVE TRUST COMPANY	EQUISERVE TRUST COMPANY
P.O. Box 842010	c/o Securities Transfer and	40 Campanelli Drive
Boston, Massachusetts 02284-2010	Reporting Services Inc.	Braintree, Massachusetts 02184
	100 William Street--Galleria	
	New York, New York 10038	

By Facsimile Transmission:	Confirm Receipt of Facsimile
(Eligible Institutions Only)	by Telephone Only:
(781) 575-4826	(781) 575-4816
or	
(781) 575-4827	

DELIVERY OF THIS NOTICE OF GUARANTEED DELIVERY TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSION OF INSTRUCTIONS VIA A FACSIMILE NUMBER OTHER THAN AS SET FORTH ABOVE WILL NOT CONSTITUTE A VALID DELIVERY.

THIS FORM IS NOT TO BE USED TO GUARANTEE SIGNATURES. IF A SIGNATURE ON A LETTER OF TRANSMITTAL IS REQUIRED TO BE GUARANTEED BY AN "ELIGIBLE INSTITUTION" UNDER THE INSTRUCTIONS THERETO, SUCH SIGNATURE GUARANTEE MUST APPEAR IN THE APPLICABLE SPACE PROVIDED IN THE SIGNATURE BOX ON THE LETTER OF TRANSMITTAL.

THE GUARANTEE ON THE REVERSE SIDE MUST BE COMPLETED.

Ladies and Gentlemen:

The undersigned hereby tenders to LII Acquisition Corp., a Delaware corporation ("Purchaser") and a wholly owned subsidiary of Northrop Grumman Corporation, a Delaware corporation, in accordance with the terms and subject to the conditions set forth in Purchaser's Offer to Purchase, dated January 5, 2001 (the "Offer to Purchase"), and in the related Letter of Transmittal (the "Letter of Transmittal," which, together with the Offer to Purchase, as each may be amended or supplemented from time to time, collectively constitute the "Offer"), receipt of which is hereby acknowledged, the number of Preferred Shares indicated below pursuant to the procedures for guaranteed delivery set forth in Section 3 of the Offer to Purchase.

Certificate Nos. (If Available): ____

Number of Preferred Shares: ____

(Check if Preferred Shares will be tendered by book-entry transfer) [_]

Account Number: ____

Dated: ____ , 2001

Name(s) of Record Holder(s): ____
(Please type or print)

Address(es): ____

Zip Code: ____

Area Code and Tel. No(s): ____

Signature(s): ____

GUARANTEE
(NOT TO BE USED FOR SIGNATURE GUARANTEE)

The undersigned, a bank, broker, dealer, credit union, savings association or other entity which is a member in good standing of a recognized Medallion Program approved by the Securities Transfer Association Inc., including the Securities Transfer Agents Medallion Program (STAMP), the Stock Exchange Medallion Program (SEMP) and the New York Stock Exchange Medallion Signature Program (MSP), or any other "eligible guarantor institution" as defined in Rule 17Ad-15 under the Securities Exchange Act of 1934 ("Exchange Act"), (a) represents that the above named person(s) "own(s)" the Preferred Shares tendered hereby within the meaning of Rule 14e-4 promulgated under Exchange Act, (b) represents that such tender of Preferred Shares complies with Rule 14e-4 under the Exchange Act, and (c) guarantees to deliver to the Depositary either the Preferred Share Certificates evidencing all tendered Preferred Shares, in proper form for transfer, or a Book-Entry Confirmation (as defined in the Offer to Purchase) with respect to such Preferred Shares, in either case, together with the Letter of Transmittal (or a facsimile thereof), properly completed and duly executed, with any required signature guarantees or an Agent's Message (as defined in the Offer to Purchase) in the case of a book-entry delivery, and any other required documents, all within three New York Stock Exchange trading days after the date hereof. The eligible guarantor institution that completes this form must communicate the guarantee to the Depositary and must deliver the Letter of Transmittal and Preferred Share Certificates to the Depositary within the time period indicated herein. Failure to do so may result in financial loss to such eligible guarantor institution.

Name of Firm: ____

Authorized Signature: ____

Name: ____
(Please Print or Type)

Title: ____

Address: ____

Zip Code: ____

Area Code and Telephone No.: ____

Dated: ____________, 2001

NOTE: DO NOT SEND CERTIFICATES FOR SHARES WITH THIS NOTICE. CERTIFICATES SHOULD BE SENT ONLY WITH YOUR LETTER OF TRANSMITTAL.

EXHIBIT 99.(a)(5)(i)

SALOMON SMITH BARNEY INC.

OFFER TO PURCHASE FOR CASH
All Outstanding Shares of Common Stock
(together with associated rights)

of

Litton Industries, Inc.

at

$80.00 Net Per Common Share

and

All Outstanding Shares of Series B $2 Cumulative Preferred Stock

of

Litton Industries, Inc.

at

$35.00 Net Per Preferred Share

by

LII Acquisition Corp.,
a wholly owned subsidiary of
Northrop Grumman Corporation

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON FRIDAY, FEBRUARY 2, 2001, UNLESS THE OFFER IS EXTENDED.

January 5, 2001

To Brokers, Dealers, Commercial Banks,
Trust Companies and Other Nominees:

We have been engaged to act as Dealer Manager in connection with the third party tender offer by LII Acquisition Corp., a Delaware corporation ("Purchaser") and a wholly owned subsidiary of Northrop Grumman Corporation, a Delaware corporation, to purchase all of the outstanding shares of common stock, par value $1.00 per share (together with the associated rights to purchase preferred stock of Litton Industries, Inc. (the "Company") pursuant to the Rights Agreement dated as of August 17, 1994 between Litton Industries, Inc. and The Bank of New York, the "Common Shares") and all of the outstanding shares of Series B $2 Cumulative Preferred Stock, par value $5.00 per share (the "Preferred Shares"), of the Company, at a price of $80.00 per Common Share and $35.00 per Preferred Share, net to the seller in cash, less any required withholding of taxes and without payment of any interest, upon the terms and subject to the conditions set forth in the Offer to Purchase Common Shares and/or the Offer to Purchase Preferred Shares, each dated January 5, 2001 (each, an "Offer to Purchase") and in the related Letter of Transmittal for the Common Shares and the related Letter of Transmittal for the Preferred Shares (each individually, a "Letter of Transmittal," which, together with the applicable Offer to Purchase, as each may be amended or supplemented from time to time, collectively constitute the "Offer").

The Offer is conditioned upon, among other things, (i) there being validly tendered and not properly withdrawn prior to the expiration of the Offer a total of at least 25,562,006 Common Shares and Preferred Shares, which represents a majority of the total outstanding Common Shares and Preferred Shares on a fully-diluted basis, and (ii) the expiration or termination of any applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements as of 1976, as amended, and, to the extent required, the approval of the merger by the Commission of the European Union under Council Regulation (EEC) No. 4064/89 of the Council of the European Union.

For your information and for forwarding to your clients for whom you hold Common Shares and/or Preferred Shares registered in your name or in the name of your nominee or who hold Common Shares and/or Preferred Shares registered in their own names, we enclose the following documents:

1. Offer to Purchase Common Shares and a separate Offer to Purchase Preferred Shares, each dated January 5, 2001.

2. Letter of Transmittal to tender Common Shares for your use and for the information of your clients who hold Common Shares. Facsimile copies of the Letter of Transmittal may be used to tender Common Shares.

3. Letter of Transmittal to tender Preferred Shares for your use and for the information of your clients who hold Preferred Shares. Facsimile copies of the Letter of Transmittal may be used to tender Preferred Shares.

4. Two separate Letters to Clients, which may be sent to your clients for whose account you hold Common Shares or Preferred Shares, as the case may be, registered in your name or in the name of your nominee, with space provided for obtaining such clients' instructions with regard to the Offer.

5. Notice of Guaranteed Delivery to be used to accept the Offer if Common Share Certificates (as defined in the Offer to Purchase) are not immediately available or time will not permit the Common Share Certificates and all required documents to reach the Depositary on or prior to the Expiration Date (as defined in the Offer to Purchase Common Shares) or if the procedures for delivery by book-entry transfer, as set forth in the Offer to Purchase Common Shares, cannot be completed on a timely basis.

6. Notice of Guaranteed Delivery to be used to accept the Offer if Preferred Share Certificates (as defined in the Offer to Purchase Preferred Shares) are not immediately available or time will not permit the Preferred Share Certificates and all required documents to reach the Depositary on or prior to the Expiration Date or if the procedures for delivery by book-entry transfer, as set forth in the Offer to Purchase Preferred Shares, cannot be completed on a timely basis.

7. Letter to stockholders of the Company from Michael R. Brown, Chairman and Chief Executive Officer of the Company, and Ronald D. Sugar, President and Chief Operating Officer of the Company accompanied by the Company's Solicitation/Recommendation Statement on Schedule 14D-9.

8. Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9.

9. Return envelope addressed to EquiServe Trust Company, as Depositary.

In accordance with the terms and subject to the satisfaction or waiver (where applicable) of the conditions to the Offer, Purchaser will accept for payment, purchase and pay for, all Common Shares and all Preferred Shares validly tendered and not properly withdrawn pursuant to the Offer at the earliest time following expiration of the Offer when all such conditions shall have been satisfied or waived (where applicable). For purposes of the Offer, Purchaser will be deemed to have accepted for payment (and thereby purchased), Common Shares and Preferred Shares validly tendered and not properly withdrawn if, as and when Purchaser gives oral or written notice to the Depositary of Purchaser's acceptance for payment of such Common Shares and Preferred Shares pursuant to the Offer. Upon the terms and subject to the conditions of the Offer, payment for Common Shares and Preferred Shares accepted for payment pursuant to the Offer will be made only after timely receipt by the Depositary of (1) the Common Share Certificates, the Preferred Share Certificates or a Book-Entry Confirmation (as defined in the applicable Offer to Purchase) of a book-entry transfer of such Common Shares and/or Preferred Shares into the Depositary's account at the Book-Entry Transfer Facility (as defined in the applicable Offer to Purchase) pursuant to the procedures set forth in Section 3 of each Offer to Purchase; (2) the Letter of Transmittal to tender Common Shares (or a facsimile thereof) properly completed and duly executed, with any required signature guarantees, or, in the case of a book-entry transfer, an Agent's Message (as defined in the Offer to Purchase) in lieu of the Letter of Transmittal and/or the Letter of Transmittal to tender Preferred Shares (or a

facsimile thereof) properly completed and duly executed, with any required signature guarantees, or, in the case of a book-entry transfer, an Agent's Message in lieu of the Letter of Transmittal; and (3) any other documents required under the applicable Letter of Transmittal.

Purchaser will not pay any commissions or fees to any broker, dealer or other person (other than the Depositary, the Information Agent and the Dealer Manager, as described in the Offer to Purchase) in connection with the solicitation of tenders of Common Shares and Preferred Shares pursuant to the Offer. Purchaser will, however, upon request, reimburse you for customary clerical and mailing expenses incurred by you in forwarding any of the enclosed materials to your clients.

Purchaser will pay any stock transfer taxes with respect to the transfer and sale of Common Shares and/or Preferred Shares to it or to its order pursuant to the Offer, except as otherwise provided in Instruction 6 of the enclosed Letter of Transmittal.

Your prompt action is requested. We urge you to contact your clients as promptly as possible. Please note that Offer and withdrawal rights expire at 12:00 midnight, New York City time, on Friday, February 2, 2001, unless the Offer is extended.

In order for a stockholder of the Company to take advantage of the Offer, the Letter of Transmittal to tender Common Shares or Preferred Shares (or a facsimile thereof), properly completed and duly executed, together with any required signature guarantees (or, in the case of a book-entry transfer, an Agent's Message in lieu of the Letter of Transmittal) and any other documents required by such Letter of Transmittal should be sent to the Depositary and Common Share Certificates and Preferred Share Certificates should be delivered, or Common Shares and Preferred Shares should be tendered pursuant to the procedure for book-entry transfer, all in accordance with the instructions set forth in the applicable Letter of Transmittal and the applicable Offer to Purchase.

Holders of Common Shares and/or Preferred Shares whose Common Share Certificates and/or Preferred Share Certificates are not immediately available or who cannot deliver their Common Share Certificates and/or Preferred Share Certificates and all other required documents to the Depositary on or prior to the Expiration Date of the Offer, or who cannot complete the procedure for delivery by book-entry transfer on a timely basis, must tender their Common Shares and/or Preferred Shares according to the guaranteed delivery procedures set forth in Section 3 of each Offer to Purchase.

Inquiries you may have with respect to the Offer should be addressed to the Information Agent or the Dealer Manager as set forth below. Requests for copies of the Offer to Purchase, the Letter of Transmittal and all other tender offer materials may be directed to the Information Agent.

Very truly yours,

Salomon Smith Barney Inc.

Enclosures

Nothing contained herein or in the enclosed documents shall constitute you or any other person as an agent of Purchaser, the Depositary, the Information Agent, the Dealer Manager or any affiliate of any of them, or authorize you or any other person to make any statement or use any document on behalf of any of them in connection with the Offer other than the enclosed documents and the statements contained therein.

EXHIBIT 99.(a)(5)(ii)

OFFER TO PURCHASE FOR CASH
All Outstanding Shares of Common Stock
(together with associated rights)

of

Litton Industries, Inc.

at

$80.00 Net Per Share

by

LII Acquisition Corp.
a wholly owned subsidiary of
Northrop Grumman Corporation

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON FRIDAY, FEBRUARY 2, 2001, UNLESS THE OFFER IS EXTENDED.

January 5, 2001

To Our Clients:

Enclosed for your consideration is an Offer to Purchase, dated January 5, 2001 (the "Offer to Purchase") and the related Letter of Transmittal (the "Letter of Transmittal," which, together with the Offer to Purchase, as each may be amended or supplemented from time to time, collectively constitute the "Offer") relating to the third party tender offer by LII Acquisition Corp., a Delaware corporation ("Purchaser") and a wholly owned subsidiary of Northrop Grumman Corporation, a Delaware corporation ("Parent"), to purchase all of the outstanding shares of common stock, par value $1.00 per share (together with the associated rights to purchase preferred stock of Litton Industries, Inc. (the "Company") pursuant to the Rights Agreement dated as of August 17, 1994 between the Company and The Bank of New York, the "Common Shares"), of the Company at a price of $80.00 per Common Share (the "Common Share Offer Price"), net to the seller in cash, less any required withholding of taxes and without the payment of any interest, upon the terms and subject to the conditions set forth in the Offer.

We are the holder of record of Common Shares held by us for your account. The Letter of Transmittal is furnished to you for your information only and cannot be used by you to tender Common Shares held by us for your account. A tender of such Common Shares can be made only by us as the holder of record and pursuant to your instructions.

Accordingly, we request instructions as to whether you wish to have us tender on your behalf any or all of the Common Shares held by us for your account, in accordance with the terms and subject to the conditions set forth in the Offer.

Your attention is directed to the following:

1. The Offer Price is $80.00 per Common Share, net to the seller in cash, without interest and less any required withholding of taxes, upon the terms and subject to the conditions set forth in the Offer.

2. The Offer is being made for all outstanding Common Shares.

3. The Offer is being made pursuant to the terms of an Agreement and Plan of Merger, dated as of December 21, 2000, among Parent, the Company and Purchaser (the "Merger Agreement"). The Merger

Agreement provides, among other things, for the making of the Offer by Purchaser. The Merger Agreement further provides that Purchaser will be merged with and into the Company (the "Merger") following the completion of the Offer and promptly after satisfaction or waiver of certain conditions. The Company will continue as the surviving corporation after the Merger and will be a wholly owned subsidiary of Parent.

4. The Board of Directors of the Company has unanimously (i) determined that each of the Offer and the Merger is fair to, and in the best interests, of the common stockholders of the Company and (ii) approved and adopted the Merger Agreement and the transactions contemplated thereby and resolved to recommend acceptance of the Offer by the common stockholders of the Company and approval and adoption by the stockholders of the Company, if necessary, of the Merger Agreement. The Board of Directors of the Company makes no recommendation with respect to the tender of Preferred Shares (as defined below).

5. The Offer and withdrawal rights will expire at 12:00 midnight, New York City time, on Friday, February 2, 2001, unless the Offer is extended.

6. Tendering stockholders will not be obligated to pay any commissions or fees to any broker, dealer or other person or, except as set forth in Instruction 6 of the Letter of Transmittal, stock transfer taxes with respect to the transfer and sale of Common Shares to Purchaser or to its order pursuant to the Offer.

7. The Offer is conditioned upon, among other things, (i) there being validly tendered and not properly withdrawn prior to the expiration or termination of the Offer a total of at least 25,562,006 Common Shares and shares of Series B $2 Cumulative Preferred Stock, par value $5.00 per share ("Preferred Shares"), which represents a majority of the total outstanding Common Shares and Preferred Shares on a fully-diluted basis, and (ii) the receipt of certain governmental and regulatory approvals. The Offer also is subject to other terms and conditions.

If you wish to have us tender any or all of the Common Shares held by us for your account, please instruct us by completing, executing and returning to us the instruction form contained in this letter. If you authorize a tender of your Common Shares, all your Common Shares will be tendered unless otherwise specified in such instruction form. Your instructions should be forwarded to us in ample time to permit us to submit a tender on your behalf on or prior to the expiration of the Offer.

INSTRUCTIONS WITH RESPECT TO THE

Offer to Purchase for Cash
All Outstanding Shares of Common Stock
(together with associated rights)

of

Litton Industries, Inc.

at

$80.00 Net Per Share

by

LII Acquisition Corp.
a wholly owned subsidiary of
Northrop Grumman Corporation

The undersigned acknowledge(s) receipt of your letter enclosing the Offer to Purchase, dated January 5, 2001, and the related Letter of Transmittal, in connection with the offer by LII Acquisition Corp., a Delaware corporation ("Purchaser") and a wholly owned subsidiary of Northrop Grumman Corporation, to purchase all of the outstanding shares of common stock, par value $1.00 per share (together with the associated rights to purchase preferred stock of Litton Industries, Inc. (the "Company") pursuant to the Rights Agreement dated as of August 17, 1994 between the Company and The Bank of New York, the "Common Shares"), of the Company at $80.00 per Common Share, net to the seller in cash, without interest, upon the terms and subject to the conditions set forth in the Offer to Purchase and related Letter of Transmittal.

This will instruct you to tender to Purchaser the number of Common Shares indicated below (or, if no number is indicated below, all Common Shares) which are held by you for the account of the undersigned, upon the terms and subject to the conditions set forth in the Offer to Purchase and in the related Letter of Transmittal furnished to the undersigned.

Number of Common Shares to be Tendered: Common Shares*

------------------- ----------------

SIGN BELOW

Signature(s)

Please Print Name(s)

Address

Account Number

Area Code and Telephone Number

Taxpayer Identification Numbers(s) or Social Security Number(s)

Dated: __________________________, 2001

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* Unless otherwise indicated, it will be assumed that all of your Common Shares held by us for your account are to be tendered.

OFFER TO PURCHASE FOR CASH
All Outstanding Shares of Series B $2 Cumulative Preferred Stock

of

Litton Industries, Inc.

at

$35.00 Net Per Share

by

LII Acquisition Corp.
a wholly owned subsidiary of
Northrop Grumman Corporation

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, FRIDAY, FEBRUARY 2, 2001, UNLESS THE OFFER IS EXTENDED.

January 5, 2001

To Our Clients:

Enclosed for your consideration is an Offer to Purchase, dated January 5, 2001 (the "Offer to Purchase") and the related Letter of Transmittal (the "Letter of Transmittal," which, together with the Offer to Purchase, as each may be amended or supplemented from time to time, collectively constitute the "Offer") relating to the third party tender offer by LII Acquisition Corp., a Delaware corporation ("Purchaser") and a wholly owned subsidiary of Northrop Grumman Corporation, a Delaware corporation ("Parent"), to purchase all of the outstanding shares of Series B $2 Cumulative Preferred Stock, par value $5.00 per share ("Preferred Shares"), of Litton Industries, Inc., a Delaware corporation (the "Company"), at a price of $35.00 per Preferred Share (the "Preferred Share Offer Price"), net to the seller in cash, less any required withholding of taxes and without the payment of any interest, upon the terms and subject to the conditions set forth in the Offer.

We are the holder of record of Preferred Shares held by us for your account. The Letter of Transmittal is furnished to you for your information only and cannot be used by you to tender Preferred Shares held by us for your account. A tender of such Preferred Shares can be made only by us as the holder of record and pursuant to your instructions.

Accordingly, we request instructions as to whether you wish to have us tender on your behalf any or all of the Preferred Shares held by us for your account, in accordance with the terms and subject to the conditions set forth in the Offer.

Your attention is directed to the following:

1. The Offer Price is $35.00 per Preferred Share, net to the seller in cash, without interest and less any required withholding of taxes, upon the terms and subject to the conditions set forth in the Offer.

2. The Offer is being made for all outstanding Preferred Shares.

3. The Offer is being made pursuant to the terms of an Agreement and Plan of Merger, dated as of December 21, 2000, among Parent, the Company and Purchaser (the "Merger Agreement"). The Merger Agreement provides, among other things, for the making of the Offer by Purchaser. The Merger Agreement further provides that Purchaser will be merged with and into the Company (the "Merger") following the

completion of the Offer and promptly after satisfaction or waiver of certain conditions. The Company will continue as the surviving corporation after the Merger and will be a wholly owned subsidiary of Parent.

4. The Board of Directors of the Company has unanimously (i) determined that each of the Offer and the Merger is fair to, and in the best interests, of the common stockholders of the Company and (ii) approved and adopted the Merger Agreement and the transactions contemplated thereby and resolved to recommend acceptance of the Offer by the common stockholders of the Company and approval and adoption by the stockholders of the Company, if necessary, of the Merger Agreement. The Board of Directors of the Company makes no recommendation with respect to the tender of Preferred Shares.

5. The Offer and withdrawal rights will expire at 12:00 midnight, New York City time, on Friday, February 2, 2001, unless the Offer is extended.

6. Tendering stockholders will not be obligated to pay any commissions or fees to any broker, dealer or other person or, except as set forth in Instruction 6 of the Letter of Transmittal, stock transfer taxes with respect to the transfer and sale of Preferred Shares to Purchaser or to its order pursuant to the Offer.

7. The Offer is conditioned upon, among other things, (i) there being validly tendered and not properly withdrawn prior to the expiration or termination of the Offer a total of at least 25,562,006 common stock, par value $1.00 per share (together with the associated rights to purchase preferred stock of Litton Industries, Inc. pursuant to the Rights Agreement dated as of August 17, 1994 between Litton Industries, Inc. and The Bank of New York, the "Common Shares"), and Preferred Shares, which represents a majority of the total outstanding Common Shares and Preferred Shares on a fully-diluted basis, and (ii) the receipt of certain governmental and regulatory approvals. The Offer also is subject to other terms and conditions.

If you wish to have us tender any or all of the Preferred Shares held by us for your account, please instruct us by completing, executing and returning to us the instruction form contained in this letter. If you authorize a tender of your Preferred Shares, all your Preferred Shares will be tendered unless otherwise specified in such instruction form. Your instructions should be forwarded to us in ample time to permit us to submit a tender on your behalf on or prior to the expiration of the Offer.

INSTRUCTIONS WITH RESPECT TO THE
Offer to Purchase for Cash
All Outstanding Shares of Series B $2 Cumulative Preferred Stock

of

Litton Industries, Inc.

at

$35.00 Net Per Share

by

LII Acquisition Corp.
a wholly owned subsidiary of
Northrop Grumman Corporation

The undersigned acknowledge(s) receipt of your letter enclosing the Offer to Purchase, dated January 5, 2001, and the related Letter of Transmittal, in connection with the offer by LII Acquisition Corp., a Delaware corporation ("Purchaser") and a wholly owned subsidiary of Northrop Grumman Corporation, to purchase all of the outstanding shares of Series B $2 Cumulative Preferred Stock, par value $5.00 per share ("Preferred Shares"), of Litton Industries, Inc., a Delaware corporation, at $35.00 per Preferred Share, net to the seller in cash, without interest, upon the terms and subject to the conditions set forth in the Offer to Purchase and related Letter of Transmittal.

This will instruct you to tender to Purchaser the number of Preferred Shares indicated below (or, if no number is indicated below, all Preferred Shares) which are held by you for the account of the undersigned, upon the terms and subject to the conditions set forth in the Offer to Purchase and in the related Letter of Transmittal furnished to the undersigned.

Number of Preferred Shares to be Tendered:	Preferred Shares*

SIGN BELOW

____
Signature(s)

____
Please print name(s)

____
Address

____
Account Number

____
Area Code & Telephone Number

____
Taxpayer Identification Number(s) or
Social Security Number(s)

Dated: __________________________, 2001

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* Unless otherwise indicated, it will be assumed that all of your Preferred Shares held by us for your account are to be tendered.

EXHIBIT 99.(a)(5)(iii)

GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9

Guidelines for Determining the Proper Identification Number to Give to EquiServe Trust Company--Social Security numbers have nine digits separated by two hyphens: i.e., 000-00-0000. Employer identification numbers have nine digits separated by only one hyphen: i.e., 00-0000000. The table below will help determine the number to give to EquiServe Trust Company.

For this type of account:	Give the SOCIAL SECURITY number of-
1. Individual	The individual
2. Two or more individuals (joint account)	The actual owner of the account or, if combined funds, the first individual on the account(1)
3. Husband and wife (joint account)	The actual owner of the account or, if combined funds, the first individual on the account(1)
4. Custodian account of a minor (Uniform Gift to Minors Act)	The minor(2)
5. Adult and minor (joint account)	The adult or, if the minor is the only contributor, the minor(1)
6. Account in the name of guardian or committee for a designated ward, minor or incompetent person	The ward, minor or incompetent person(3)
7. a. The usual revocable savings trust account (grantor is also trustee)	The grantor-trustee(1)
b. So-called trust account that is not a legal or valid trust under state law	The actual owner(1)
8. Sole proprietorship	The owner(4)

For this type of account:	Give the EMPLOYER IDENTIFICATION number of--
9. A valid trust, estate or pension trust	The legal entity (do not furnish the identifying number of the personal representative or trustee unless the legal entity itself is not designated in the account title.) (5)
10. Corporate	The corporation
11. Religious, charitable or educational tax-exempt organization	The organization
12. Partnership account held in the name of the business	The partnership
13. Association, club or other tax-exempt organization	The organization
14. A broker or registered nominee	The broker or nominee

15. Account with the Department of Agriculture in the name of a public entity (such as a state or local government, school district or prison) that receives agricultural program payments	The public entity

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(1) List first and circle the name of the person whose number you furnish. If only one person has a social security number, that person's number must be furnished.
(2) Circle the minor's name and furnish the minor's social security number.
(3) Circle the ward's, minor's or incompetent person's name and furnish such person's social security number.
(4) Show the name of the owner. You must show your individual name, but you may also enter your business or "doing business as" name. You may use either your social security number or employer identification number (if you have one).
(5) List first and circle the name of the legal trust, estate or pension trust.

Note: If no name is circled when there is more than one name, the number will be considered to be that of the first name listed.

GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION
NUMBER OF SUBSTITUTE FORM W-9

Obtaining a Number

If you don't have a TIN or you don't know your number, obtain Form SS-5, Application for a Social Security Card, or Form SS-4, Application for Employer Identification Number, at the local office of the Social Security Administration or the Internal Revenue Service and apply for a number.

Payees Exempt From Backup Withholding

Payees specifically exempted from backup withholding include the following:

1. An organization exempt from tax under section 501(a), any IRA, or a custodial account under section 403(b)(7) if the account satisfies the requirements of section 401(f)(2).
2. The United States or any of its agencies or instrumentalities.
3. A state, the District of Columbia, a possession of the United States, or any of their political subdivisions or instrumentalities.
4. A foreign government or any of its political subdivisions, agencies, or instrumentalities.
5. An international organization or any of its agencies or instrumentalities.

Other payees that may be exempt from backup withholding include:

6. A corporation.
7. A foreign central bank of issue.
8. A dealer in securities or commodities required to register in the United States, the District of Columbia, or a possession of the United States.
9. A futures commission merchant registered with the Commodity Futures Trading Commission.
10. A real estate investment trust.
11. An entity registered at all times during the tax year under the Investment Company Act of 1940.
12. A common trust fund operated by a bank under section 584(a).
13. A financial institution.
14. A middleman known in the investment community as a nominee or custodian.
15. A trust exempt from tax under section 664 or described in section 4947.

Payments Exempt From Backup Withholding

Dividends and patronage dividends that generally are exempt from backup withholding include:

- Payments to nonresident aliens subject to withholding under section 1441.
- Payents to partnerships not engaged in a trade or business in the United States and that have at least one nonresident alien partner.
- Payments of patronage dividends not paid in money.
- Payments made by certain foreign organizations.
- Section 404(k) distributions made by an ESOP.

Interest payments that generally are exempt from backup withholding include:

- Payments of interest on obligations issued by individuals. Note: you may be subject to backup withholding if this interest is $600 or more and is paid in the course of the payer's trade or business and you have not provided a correct TIN to the payer.
- Payments of tax-exempt interest (including exempt-interest dividends under section 852).
- Payments described in section 6049(b)(5) to nonresident aliens.
- Payments on tax-free covenant bonds under section 1451.
- Payments made by certain foreign organizations.

Exempt payees described above should file Form W-9 to avoid possible erroneous backup withholding. FILE THIS FORM WITH THE PAYER, FURNISH YOUR TIN, WRITE "EXEMPT" ON THE FACE OF THE FORM AND SIGN AND DATE THE FORM.

Certain payments other than interest, dividends and patronage dividends not subject to information reporting are also not subject to backup withholding. For details, see the regulations under Internal Revenue Code sections 6041, 6041A, 6042, 6044, 6045, 6049, 6050A and 6050N.

Privacy Act Notice.--Section 6109 of the Internal Revenue Code requires you to give your correct TIN to persons who must file information returns with the IRS to report, among other things, interest, dividends, and certain other income paid to you. The IRS uses the numbers for identification purposes and to help verify the accuracy of your tax return. The IRS may also provide this information to the Department of Justice for civil and criminal litigation, and to cities, states and the District of Columbia to carry out their tax laws. You must provide your TIN whether or not you are required to file a tax return. Payers must generally withhold 31% of taxable interest, dividend and certain other payments to a payee who does not give a TIN to a payer. Certain penalties may also apply.

Penalties

(1) Penalty for Failure to Furnish TIN.--If you fail to furnish your correct TIN to a payer, you are subject to a penalty of $50 for each such failure

unless your failure is due to reasonable cause and not to willful neglect.
(2) Civil and Criminal Penalties for False Information.--If you make a false statement with no reasonable basis which results in no imposition of backup withholding, you are subject to a $500 civil penalty. Willfully falsifying certifications or affirmations may also subject you to criminal penalties including fines and/or imprisonment.

FOR ADDITIONAL INFORMATION CONTACT YOUR TAX CONSULTANT OR THE INTERNAL REVENUE SERVICE

EXHIBIT 99.(a)(5)(v)

This announcement is neither an offer to purchase nor a solicitation of an offer to sell Common Shares or Preferred Shares (each as defined below). The Offer (as defined below) is made only by the Offer to Purchase, dated January 5, 2001, and the related Letters of Transmittal, and any amendments or supplements thereto, and is being made to all holders of Common Shares and Preferred Shares. The Offer, however, is not being made to (nor will tenders be accepted from or on behalf of) holders of Common Shares or Preferred Shares residing in any jurisdiction in which the making of the Offer or the acceptance thereof would not be in compliance with the securities, blue sky or other laws of such jurisdiction. However, Purchaser (as defined below) may, in its discretion, take such action as it may deem necessary to make the Offer in any jurisdiction and extend the Offer to holders of Common Shares and Preferred Shares in such jurisdiction. In those jurisdictions where securities, blue sky or other laws require the Offer to be made by a licensed broker or dealer, the Offer shall be deemed to be made on behalf of Purchaser by one or more registered brokers or dealers licensed under the laws of such jurisdiction.

Notice of Offer to Purchase for Cash
All Outstanding Shares of Common Stock
(together with associated rights)
of
Litton Industries, Inc.
at
$80.00 Net Per Common Share
and
All Outstanding Shares of Series B $2 Cumulative Preferred Stock

of
Litton Industries, Inc.

at
$35.00 Net Per Preferred Share
by
LII Acquisition Corp.
a wholly owned subsidiary of
Northrop Grumman Corporation

LII Acquisition Corp., a Delaware corporation ("Purchaser") and a wholly owned subsidiary of Northrop Grumman Corporation, a Delaware corporation ("Parent"), is offering to purchase all of the outstanding shares of common stock, par value $1.00 per share (together with the associated rights to purchase preferred stock of Litton Industries, Inc. (the "Company") pursuant to the Rights Agreement dated as of August 17, 1994 between the Company and The Bank of New York, the "Common Shares") and all of the outstanding shares of Series B $2 Cumulative Preferred Stock, par value $5.00 per share (the "Preferred Shares"), of the Company, at a price of $80.00 per Common Share and $35.00 per Preferred Share, net to the seller in cash, less any required withholding of taxes and without payment of any interest, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated January 5, 2001 (the "Offer to Purchase") and in the related Letter of Transmittal for the Common Shares and the related Letter of Transmittal for the Preferred Shares (each individually, a "Letter of Transmittal," together, the "Letters of Transmittal," and which, together with the Offer to Purchase, as each may be amended or supplemented from time to time, collectively constitute the "Offer").

Tendering stockholders who have Common Shares and/or Preferred Shares registered in their names and who tender directly will not be charged brokerage fees or commissions or, subject to Instruction 6 of the Letters of Transmittal, transfer taxes on the purchase of Common Shares and/or Preferred Shares pursuant to the Offer. Stockholders who hold their Common Shares and/or Preferred Shares through a broker or bank should consult such institution as to whether it charges any service fees. Parent or Purchaser will pay all charges and expenses of the Depositary, the Information Agent and the Dealer Manager incurred in connection with the Offer.

- --

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON FRIDAY, FEBRUARY 2, 2001, UNLESS THE OFFER IS EXTENDED.

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The Offer is being made pursuant to an Agreement and Plan of Merger, dated as of December 21, 2000 (the "Merger Agreement"), among Parent, Purchaser and the Company, pursuant to which, after completion of the Offer and the satisfaction or waiver of certain conditions, Purchaser will be merged with and into the Company and the Company will be the surviving corporation (the "Merger"). On the effective date of the Merger (the "Effective Time"), each outstanding Common Share (other than Common Shares held in the Company's treasury, by any subsidiary of the Company, or by Parent, Purchaser or any subsidiary of Parent or by stockholders who have properly perfected appraisal rights under Delaware law) will by virtue of the Merger, and without any action by the holder thereof, be cancelled and converted into the right to receive $80.00 per Common Share in cash, or any higher price paid pursuant to the Offer without interest. The Merger Agreement is more fully described in section 12 of the Offer to Purchase.

THE BOARD OF DIRECTORS OF THE COMPANY (I) HAS UNANIMOUSLY APPROVED THE MERGER AGREEMENT, THE OFFER AND THE MERGER, (II) HAS UNANIMOUSLY DETERMINED THAT THE OFFER AND THE MERGER ARE FAIR TO, AND IN THE BEST INTEREST OF, THE HOLDERS OF COMMON SHARES, AND (III) UNANIMOUSLY RECOMMENDS THAT THE COMMON STOCKHOLDERS ACCEPT THE OFFER AND TENDER THEIR COMMON SHARES PURSUANT TO THE OFFER. THE BOARD OF DIRECTORS OF THE COMPANY IS NOT MAKING ANY RECOMMENDATION TO HOLDERS OF PREFERRED SHARES AS TO WHETHER THEY SHOULD ACCEPT THE OFFER AND TENDER THEIR PREFERRED SHARES PURSUANT TO THE OFFER.

THE OFFER IS CONDITIONED UPON, AMONG OTHER THINGS, (I) THERE BEING VALIDLY TENDERED AND NOT WITHDRAWN PRIOR TO THE EXPIRATION OF THE OFFER A TOTAL OF AT LEAST 25,562,006 COMMON SHARES AND PREFERRED SHARES, WHICH REPRESENTS A MAJORITY OF THE TOTAL OUTSTANDING COMMON SHARES AND PREFERRED SHARES ON A FULLY-DILUTED BASIS, AND (II) THE EXPIRATION OR TERMINATION OF ANY APPLICABLE WAITING PERIOD UNDER THE HART-SCOTT-RODINO ANTITRUST IMPROVEMENT ACT OF 1976, AS AMENDED, AND, TO THE EXTENT REQUIRED, THE APPROVAL OF THE MERGER BY THE COMMISSION OF THE EUROPEAN UNION UNDER REGULATION (EEC) NO. 4064/89 OF THE COUNCIL OF THE EUROPEAN UNION. THE OFFER ALSO IS SUBJECT TO OTHER TERMS AND CONDITIONS.

For purposes of the Offer, Purchaser will be deemed to have accepted for payment (and thereby purchased) Common Shares and Preferred Shares validly tendered and not withdrawn as, if and when Purchaser gives oral or written notice to EquiServe Trust Company (the "Depositary") of its acceptance for payment of such Common Shares and Preferred Shares pursuant to the Offer.

Upon the terms and subject to the conditions of the Offer, payment for Common Shares and Preferred Shares accepted for payment pursuant to the Offer will be made by deposit of the purchase price therefor with the Depositary, which will act as agent for all tendering stockholders for the purpose of receiving payments from Purchaser and transmitting such payments to tendering stockholders whose Common Shares and/or Preferred Shares have been accepted for payment.

In all cases, payment for Common Shares and Preferred Shares accepted for payment pursuant to the Offer will be made only after timely receipt by the Depositary of (i) certificates representing the Common Shares and/or Preferred Shares or a Book-Entry Confirmation (as defined in the Offer to Purchase) with respect to such Common Shares and/or Preferred Shares, (ii) a Letter of Transmittal to tender Common Shares and/or a Letter of Transmittal to tender Preferred Shares (or a manually signed facsimile therof), properly completed and duly executed, with any required signature guarantees of, in the case of a book-entry transfer, an Agent's Message (as defined in the Offer to Purchase) in lieu of such Letter of Transmittal, and (iii) any other documents required by the Letter of Transmittal. UNDER NO CIRCUMSTANCES WILL ANY INTEREST BE PAID ON THE OFFER PRICE FOR TENDERED COMMON SHARES AND TENDERED PREFERRED SHARES, REGARDLESS OF ANY EXTENSION OF THE OFFER OR ANY DELAY IN MAKING SUCH PAYMENT.

The purpose of the Offer is to acquire control of, and the entire common equity interest in, the Company. The Offer is subject to certain conditions set forth in the Offer to Purchase. If any such condition is not satisfied, Purchaser may, except as provided in the Merger Agreement, (i) terminate the Offer and return all tendered Common Shares and all tendered Preferred Shares to tendering stockholders, (ii) extend the Offer and, subject to withdrawal rights as set forth below, retain all such Common Shares and Preferred Shares until the expiration of the Offer as so extended, (iii) waive such condition and purchase all Common Shares and Preferred Shares validly tendered and not withdrawn prior to the expiration of the Offer, or (iv) delay acceptance for payment or payment for Common Shares and Preferred Shares, subject to applicable laws, until satisfaction or waiver of the conditions to the Offer.

The term "Expiration Date" means 12:00 midnight, New York City time, on Friday, February 2, 2001, unless and until Purchaser, in its sole discretion (but subject to the terms of the Merger Agreement), shall have extended the period of time during which the Offer is open, in which event the term "Expiration Date" shall mean the latest time and date on which the Offer, as so extended by Purchaser, shall expire. Subject to the applicable rules and regulations of the Securities and Exchange Commission, applicable law and the terms of the Merger Agreement, Purchaser expressly reserves the right, in its sole discretion, at any time, from time to time, to extend the period of time during which the Offer is open by giving oral or written notice of such extension to the Depositary. Any such extension will be followed as promptly as possible by a public announcement thereof not later than 9:00 a.m., New York City time, on the next business day after the day on which the Offer is scheduled to expire. During any such extension, all Common Shares and Preferred Shares previously tendered and not withdrawn will remain subject to the Offer, subject to the right of a tendering stockholder to withdraw its Common Shares and/or Preferred Shares.

Tenders of Common Shares and Preferred Shares made pursuant to the Offer are irrevocable except that such Common Shares and Preferred Shares may be withdrawn at any time prior to Friday, February 2, 2001. Thereafter, such tenders are irrevocable, except that they may be withdrawn at any time after Tuesday, March 6, 2001, unless theretofore accepted for payment as provided in the Offer to Purchase.

For a withdrawal to be effective, a written or facsimile transmission notice of withdrawal must be timely received by the Depositary at one of its addresses set forth on the back cover of the Offer to Purchase. Any such notice of withdrawal must specify the name of the person who tendered the Common Shares and/or Preferred Shares to be withdrawn, the number of Common Shares and/or Preferred Shares to be withdrawn and the names in which the certificate(s) evidencing the Common Shares and/or Preferred Shares to be withdrawn are registered, if different from the name of the person who tendered such Common Shares and/or Preferred Shares. The signature(s) on the notice of withdrawal must be guaranteed by an Eligible Institution (as defined in the Offer to Purchase), unless such Common Shares and/or Preferred Shares have been tendered for the account of any Eligible Institution. If Common Shares and/or Preferred Shares have been tendered pursuant to the procedures for book-entry transfer as set forth in Section 3 of the Offer to Purchase, any notice of withdrawal must specify the name and number of the account at the Book-Entry Transfer Facility (as defined in the Offer to Purchase) to be credited with the withdrawn Common Shares and/or Preferred Shares and must otherwise comply with such Book-Entry Transfer Facility's procedures. If certificates for Common Shares and/or Preferred Shares to be withdrawn 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 Common Shares and/or Preferred Shares to be withdrawn must also be furnished to the Depositary as aforesaid prior to the physical release of such certificates. All questions as to the form and validity (including time of receipt) of any notice of withdrawal will be determined by Purchaser or its designee, in its sole discretion, which determination shall be final and binding. None of Purchaser, Parent, the Dealer Manager (listed below), the Depositary, the Information Agent (listed below) or any other person will be under any duty to give notification of any defects or irregularities in any notice of withdrawal or incur any liability for failure to give such notification. Withdrawals of tenders of Common Shares and/or Preferred Shares may not be rescinded, and any Common Shares and/or Preferred Shares properly withdrawn will be considered not validly tendered for purposes of the Offer. However, withdrawn Common Shares and/or Preferred Shares may be retendered by following one of the procedures described in Section 3 of the Offer to Purchase at any time prior to the Expiration Date.

The information required to be disclosed by paragraph (d)(1) of Rule 14d-6 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is contained in the Offer to Purchase and is incorporated herein by reference.

The Company has provided Purchaser with the Company's stockholder list and security position listings for the purpose of disseminating the Offer to stockholders. The Offer to Purchase, the related Letters of Transmittal and other relevant materials will be mailed to record holders of Common Shares and Preferred Shares and will be furnished to brokers, banks and similar persons whose names, or the names of whose nominees, appear on the stockholder list or, if applicable, who are listed as participants in a clearing agency's security position listing for subsequent transmittal to beneficial owners of Common Shares and Preferred Shares.

THE OFFER TO PURCHASE AND THE LETTERS OF TRANSMITTAL CONTAIN IMPORTANT INFORMATION WHICH SHOULD BE READ CAREFULLY BEFORE ANY DECISION IS MADE WITH RESPECT TO THE OFFER.

Questions and requests for assistance may be directed to the Information Agent or the Dealer Manager at their respective addresses and telephone numbers set forth below. Stockholders may request additional copies of the Offer to Purchase, the related Letters of Transmittal and other tender offer materials from the Information Agent, the Dealer Manager or their broker, dealer, commercial bank or trust company. Such additional copies will be furnished at Purchaser's expense. No fees or commissions will be paid to brokers, dealers or other persons (other than the Information Agent and the Dealer Manager) for soliciting tenders of Common Shares and/or Preferred Shares pursuant to the Offer.

The Information Agent for the Offer is:

GEORGESON SHAREHOLDER
COMMUNICATIONS, INC.
17 State Street, 10th Floor
New York, New York 10004
Bankers and Brokers Call Collect: (212) 440-9800

All Others Please Call: (800) 223-2064

The Dealer Manager for the Offer is:

SALOMON SMITH BARNEY
388 Greenwich Street
New York, New York 10013
Call Toll Free: (877) 319-4978

January 5, 2001

EXHIBIT 99.(b)(1)
Execution Copy

CREDIT SUISSE FIRST BOSTON
Eleven Madison Avenue
New York, NY 10010

THE CHASE MANHATTAN BANK
CHASE SECURITIES INC.
270 Park Avenue
New York, NY 10017

December 20, 2000

Northrop Grumman Corporation
1840 Century Park East
Los Angeles, CA. 90067-2199

Attention of Albert F. Myers

Project Intrepid

$6,000,000,000 Senior Credit Facilities

Commitment Letter

Ladies and Gentlemen:

You have advised Credit Suisse First Boston ("CSFB"), The Chase Manhattan Bank ("Chase" and, together with CSFB, the "Initial Lenders") and Chase Securities Inc. ("CSI" and, together with CSFB, the "Agents") that Northrop Grumman Corporation ("you" or the "Borrower") intends to acquire (the "Acquisition") a company that you have identified to us as Litton Industries, Inc. (the "Target") and to consummate the other Transactions. Capitalized terms used but not defined herein have the meanings assigned in the Summary of Principal Terms and Conditions attached hereto as Exhibit A (the "Term Sheet").

You have further advised us that, in connection therewith, the Borrower will obtain the senior credit facilities (the "Facilities") described in the Term Sheet, in an aggregate principal amount of $6,000,000,000, consisting of a 364-Day Revolving Credit Facility in a principal amount of $3,000,000,000 and a Five-Year Revolving Credit Facility in a principal amount of $3,000,000,000.

In connection with the foregoing, you have requested that (a) we agree to structure, arrange and syndicate the Facilities, (b) CSFB and Chase agree to act as co-administrative agents, (c) CSFB and CSI agree to act as joint book managers and joint lead arrangers for the Facilities and (d) each Initial Lender severally commits to provide one-half of the principal amount of the Facilities.

Each Initial Lender is pleased to advise you of its several commitment to provide up to one-half of the principal amount of the Facilities, upon the terms and subject to the conditions set forth or referred to in this commitment letter (the "Commitment Letter") and in the Term Sheet.

It is agreed that CSFB and Chase will act as co-administrative agents for the Facilities, that CSFB and CSI will act as joint book managers and joint lead arrangers for the Facilities and that we will, in such capacities, perform the duties and exercise the authority customarily performed and exercised by it in such roles. You agree that no other titles will be awarded and no compensation (other than that expressly contemplated by the

Term Sheet and the Fee Letter referred to below) will be paid in connection with the Facilities unless you and we shall so agree.

We intend to syndicate the Facilities to a group of financial institutions (together with the Initial Lenders, the "Lenders") identified by us in consultation with you. We intend to commence syndication efforts promptly upon the execution of this Commitment Letter, and you agree to actively assist us in completing a syndication satisfactory to us. Such assistance shall include (a) your using commercially reasonable efforts to ensure that the syndication efforts benefit materially from your and the Target's existing lending relationships, (b) direct contact between senior management, representatives and advisors of the Borrower, the Target and the proposed Lenders, (c) assistance by the Borrower and the Target in the preparation of a Confidential Information Memorandum for the Facilities and other marketing materials to be used in connection with the syndication and (d) the hosting, with us, of one or more meetings of prospective Lenders.

We will manage, in consultation with you, all aspects of the syndication including decisions as to the selection of institutions to be approached and when they will be approached, when their commitments will be accepted, which institutions will participate, the allocation of the commitments among the Lenders and the amount and distribution of fees among the Lenders. To assist us in our syndication efforts, you agree promptly to prepare and provide, and to use commercially reasonable efforts to cause the Target to prepare and provide, to us all information with respect to the Borrower, the Target and their respective subsidiaries, the Transactions and the other transactions contemplated hereby, including all financial information and projections (the "Projections"), as we may reasonably request. You hereby represent and covenant that (a) all information other than the Projections (the "Information") that has been or will be made available to us by you or any of your representatives is or will be, when furnished, complete and correct in all material respects and does not or will not, when furnished, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not materially misleading in light of the circumstances under which such statements are made and (b) the Projections that have been or will be made available to us by you or any of your representatives have been or will be prepared in good faith based upon assumptions that are reasonable at the time made and at the time the related Projections are made available to us. You agree that if at any time prior to the closing of the Facilities any of the representations in the preceding sentence would be incorrect if the Information and Projections were being furnished, and such representations were being made, at such time, then you will promptly supplement the Information and the Projections so that such representations will be correct under those circumstances. In arranging and syndicating the Facilities, we will be entitled to use and rely primarily on the Information and the Projections without responsibility for independent verification thereof.

As consideration for the Initial Lender's several commitments hereunder and our agreements to perform the services described herein, you agree to pay to the Initial Lenders the nonrefundable fees set forth in the Term Sheet and in the Fee Letter dated the date hereof and delivered herewith with respect to the Facilities (the "Fee Letter").

The Initial Lenders' several commitments hereunder and our agreements to perform the services described herein are further subject to (a) our not having discovered or otherwise become aware of any information not previously disclosed to us that we believe to be inconsistent in a material and adverse manner with our understanding, based on the information provided to us prior to the date hereof, of the business, assets,

operations, condition (financial or otherwise), or prospects of the Borrower, the Target and their respective subsidiaries, (b) there not having occurred any material adverse change or material adverse condition in the business, assets, operations, condition (financial or otherwise) or prospects of the Borrower and its subsidiaries, taken as a whole, or the Target and its subsidiaries, taken as a whole, in each case since December 31, 1999, (c) there not having occurred after the date hereof a material disruption of or material adverse change in financial, banking or capital market conditions that has adversely affected the syndication of the Facilities, (d) our satisfaction that, prior to and during the syndication of the Facilities, there shall be no competing issues of debt securities or commercial bank or other credit facilities of the Borrower, the Target or their respective subsidiaries being offered, placed or arranged, (e) the negotiation, execution and delivery of definitive documentation with respect to the Facilities satisfactory to us and our counsel, (f) our having been afforded a reasonable period following the date hereof to syndicate the Facilities and (g) the other conditions set forth in the Term Sheet.

You agree (a) to indemnify and hold harmless each of CSFB, Chase, CSI and their respective affiliates and their respective officers, directors, employees, agents and controlling persons from and against any and all losses, claims, damages, liabilities and expenses, joint or several, to which any such persons may become subject arising out of or in connection with this Commitment Letter, the Fee Letter, the Term Sheet, the Transactions, the Facilities or any related transaction or any claim, litigation, investigation or proceeding relating to any of the foregoing, regardless of whether any of such indemnified persons is a party thereto, and to reimburse each of such indemnified persons upon demand for any reasonable legal or other expenses incurred in connection with investigating or defending any of the foregoing, _provided that_ the foregoing indemnity will not, as to any indemnified person, apply to losses, claims, damages, liabilities or related expenses to the extent they are found in a final judgment of a court to have resulted from the willful misconduct or gross negligence of such indemnified person, and (b) to reimburse us from time to time, upon presentation of a summary statement, for all reasonable out-of-pocket expenses (including but not limited to expenses of our due diligence investigation, syndication expenses, travel expenses and reasonable fees, disbursements and other charges of counsel), in each case incurred in connection with the Facilities and the preparation of this Commitment Letter, the Term Sheet, the Fee Letter and the definitive documentation for the Facilities. Notwithstanding any other provision of this Commitment Letter, no indemnified person shall be liable for any indirect or consequential damages in connection with its activities related to the Facilities.

You acknowledge that each of us and our affiliates may be providing debt financing, equity capital or other services (including financial advisory services) to other companies in respect of which you may have conflicting interests regarding the transactions described herein and otherwise. None of us will use confidential information obtained from you by virtue of the transactions contemplated by this Commitment Letter or its other relationships with you in connection with the performance by us of services for other companies, and none of us will furnish any such information to other companies. You also acknowledge that none of us has any obligation to use in connection with the transactions contemplated by this Commitment Letter, or to furnish to you, confidential information obtained by us from other companies.

This Commitment Letter and our commitments hereunder shall not be assignable by you without the prior written consent of the Initial Lenders and the Agents (and any attempted assignment without such consent shall be null and void), are intended to be

solely for the benefit of the parties hereto (and indemnified persons), are not intended to confer any benefits upon, or create any rights in favor of, any person other than the parties hereto (and indemnified persons) and are not intended to create a fiduciary relationship among the parties hereto. Each Initial Lender may assign its commitment hereunder to any of its affiliates or any Lender. Any such assignment to an affiliate will not relieve the assignor from any of its obligations hereunder unless and until such affiliate shall have funded the portion of the commitment so assigned. Any assignment to a Lender shall be by novation and shall release the assignor from the portion of its commitment hereunder so assigned. This Commitment Letter may not be amended or any provision hereof waived or modified except by an instrument in writing signed by the Initial Lenders, the Agents and you. This Commitment Letter may be executed in any number of counterparts, each of which shall be an original and all of which, when taken together, shall constitute one agreement. Delivery of an executed counterpart of a signature page of this Commitment Letter by facsimile transmission shall be effective as delivery of a manually executed counterpart hereof. This Commitment Letter and the Fee Letter are the only agreements that have been entered into between us with respect to the Facilities and set forth the entire understanding of the parties with respect thereto. This Commitment Letter shall be governed by, and construed in accordance with, the laws of the State of New York.

EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES THE RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING, CLAIM OR COUNTERCLAIM BROUGHT BY OR ON BEHALF OF ANY PARTY RELATED TO OR ARISING OUT OF THIS COMMITMENT LETTER OR THE PERFORMANCE OF SERVICES HEREUNDER.

This Commitment Letter is delivered to you on the understanding that neither this Commitment Letter, the Term Sheet or the Fee Letter nor any of their terms or substance shall be disclosed, directly or indirectly, to any other person except (a) to your officers, employees, attorneys, accountants and advisors on a confidential and need-to-know basis or (b) as required by applicable law or compulsory legal process (in which case you agree to inform us promptly thereof); *provided* that following our acceptance hereof and of the Fee Letter you may disclose this Commitment Letter, the Term Sheet and the contents hereof and thereof (but not the Fee Letter or the contents thereof) to the Target and its attorneys, accountants and advisors, in each case in connection with the Acquisition and on a confidential and need-to-know basis.

The compensation, reimbursement, indemnification and confidentiality provisions contained herein and in the Fee Letter shall remain in full force and effect regardless of whether definitive financing documentation shall be executed and delivered and notwithstanding the termination of this Commitment Letter or the Initial Lenders' commitments hereunder.

If the foregoing correctly sets forth our agreement, please indicate your acceptance of the terms hereof and of the Term Sheet and the Fee Letter by returning to us executed counterparts hereof and of the Fee Letter not later than 5:00 p.m., New York City time, on December 29, 2000. The Initial Lenders' commitments hereunder and agreements contained herein will expire at such time in the event that we have not received such executed counterparts in accordance with the immediately preceding sentence. In the event that the Closing Date does not occur on or before March 31, 2001, then this Commitment Letter and the Initial Lenders' commitments and undertakings hereunder shall automatically terminate unless we shall, in our discretion, agree to an extension.

Before such date, we may terminate this Commitment Letter if any event occurs or information becomes available that, in our judgment, results or is likely to result in the failure to satisfy any condition precedent set forth herein or in the Term Sheet.

We are pleased to have been given the opportunity to assist you in connection with the financing for the Acquisition.

Very truly yours,

CREDIT SUISSE FIRST BOSTON,

by /s/ Richard B. Carey

Name: Richard B. Carey
Title: Managing Director

by /s/ Eugene F. Martin

Name: Eugene F. Martin
Title: Senior Vice President

THE CHASE MANHATTAN BANK,

by /s/ Thomas H. Kozlink

Name: Thomas H. Kozlink
Title: Vice President

CHASE SECURITIES INC.,

by /s/ Patricia A. Brill

Name: Patricia A. Brill
Title: Managing Director

Accepted and agreed to as of
the date first above written:

NORTHROP GRUMMAN CORPORATION,

by /s/ Albert F. Myers

Name: Albert F. Myers
Title: Corporate Vice President
and Treasurer

CONFIDENTIAL
December 20, 2000 EXHIBIT A

Project Intrepid

$6,000,000,000 Senior Credit Facilities

Summary of Principal Terms and Conditions

Borrower:	Northrop Grumman Corporation, a Delaware corporation (the "Borrower").
Acquisition:	The Borrower intends to acquire (the "Acquisition") a Delaware corporation identified as Litton Industries, Inc. (the "Target") pursuant to an agreement and plan of merger (the "Merger Agreement") to be entered into by the Borrower, a wholly owned special purpose subsidiary of the Borrower ("Merger Sub") and the Target. The Merger Agreement will provide either for (a) a tender offer to be made by Merger Sub for all the issued and outstanding capital stock of the Target at a purchase price of $80.00 per share, net to the seller in cash (the "Tender Offer"), followed by a merger (the "Merger") of Merger Sub and the Target in which, subject to stockholders' dissent rights, each share not tendered in the Tender Offer would be converted into the right to receive $80.00 in cash, or (b) a one-step statutory Merger of Merger Sub and the Target in which, subject to stockholders' dissent rights, each issued outstanding share of capital stock of the Target would be converted into the right to receive $80.00 per share in cash. In either event, the aggregate cash consideration payable to the stockholders of the Target in respect of the Acquisition would be approximately $3.972 billion. In connection with the Acquisition, (a) the Borrower and the Target will repay all amounts outstanding under, and terminate, their existing bank credit agreements (the "Existing Credit Agreements") and certain other existing debt (together with the Existing Credit Agreements, the "Refinanced Debt"), (b) the Borrower will obtain the senior credit facilities described below under the caption "Facilities" and (c) fees and expenses incurred in connection with the foregoing will be paid. The transactions described in this paragraph, together with the Acquisition, are collectively referred to herein as the "Transactions".
Sources and Uses:	The approximate sources and uses of the funds necessary to consummate the Transactions are set forth in Annex II hereto.
Joint Book Managers and Joint Lead Arrangers:	Chase Securities, Inc. ("CSI") and Credit Suisse First Boston ("CSFB") will act as joint book managers and joint lead arrangers for the Facilities

(the "Arrangers"), and will perform the duties customarily associated with such roles.

Co-Administrative Agents:	The Chase Manhattan Bank ("Chase") and CSFB will act as co-administrative agents (the "Agents") for a syndicate of financial institutions (together will Chase and CSFB, the "Lenders"), and will perform the duties customarily associated with such role.
Payment Agent:	Chase (the "Payment Agent").
Syndication Agent(s):	One or more financial institutions mutually acceptable to the Arrangers and the Borrower will be given the title of syndication agent.
Documentation Agent(s):	One or more financial institutions mutually acceptable to the Arrangers and the Borrower will be given the title of documentation agent.
Senior Credit Facilities:	Two unsecured Revolving Credit Facilities (each a "Facility" and together the "Facilities") in an aggregate principal amount of up to $6,000,000,000: (A) A 364-Day Revolving Credit Facility in an aggregate principal amount of up to $3,000,000,000 (the "364-Day Facility"). (B) A Five-Year Revolving Credit Facility in an aggregate principal amount of up to $3,000,000,000 (the "Five-Year Facility").
Availability:	Amounts borrowed and repaid may be reborrowed subject to availability under the applicable Facility.
Purpose:	The proceeds of the initial borrowings under the Facilities will be used solely (a) to pay the cash consideration payable in the Acquisition, (b) to refinance the Existing Credit Agreements and Refinanced Debt and (c) to pay related fees and expenses. The proceeds of subsequent borrowings under the Facilities will be used for general corporate purposes.
Final Maturity:	The Lenders' commitments under the 364-Day Facility will expire and the borrowings thereunder will mature on the date that is 364 days after the date of execution of definitive credit documentation for the Facilities (the "Closing Date"). Commitments under the Five-Year Facility will

expire and the borrowings thereunder will mature on the fifth anniversary of the Closing Date.

Mandatory Reductions in Commitments:	Commitments under the 364-Day Facility will be reduced, and loans thereunder prepaid, from time to time by an amount equal to (a) 100% of the net cash proceeds of certain non-ordinary-course asset sales or other dispositions of assets by the Borrower and its subsidiaries and (b) 100% of the net cash proceeds of certain issuances of debt or equity securities of the Borrower and its subsidiaries.
Voluntary Reductions in Commitments:	Voluntary reductions of the unutilized portion of the commitments and prepayments of Revolving Credit borrowings will be permitted at any time, in minimum principal amounts to be agreed upon, without premium or penalty, subject to reimbursement of the Lenders' redeployment costs in the case of a prepayment of Adjusted LIBOR borrowings other than on the last day of the relevant interest period.
Representations and Warranties:	Usual for facilities and transactions of this type and otherwise substantially in the form of those contained in the Borrower's Second Amended and Restated Credit Agreement dated as of March 1, 1996 (the "Restated Credit Agreement"), including corporate existence; accuracy of financial information, absence of material adverse change; absence of material litigation; absence of breach or defaults; corporate action; necessary approvals; use of proceeds; ERISA matters; payment of taxes; ownership of properties; environmental matters; true and complete disclosure; material subsidiaries and intercompany debt.
Conditions Precedent to Initial Borrowing:	Usual for facilities and transactions of this type and otherwise substantially in the form of those contained in the Restated Credit Agreement, including delivery of satisfactory legal options, audited financial statements and other financial information; accuracy of representations and warranties; absence of defaults, prepayment events or creation of liens under debt instruments or other agreements; evidence of authority, and payment of fees and expenses. Either (a) the Merger shall be consummated substantially simultaneously with the closing under the Facilities or (b) the Tender Offer shall be consummated substantially simultaneously with the

closing under the Facilities and there shall have been validly tendered thereunder and not withdrawn a majority of the capital stock of the Target, such that Merger Sub would be able to consummate the Merger without the vote of any other stockholder of the Target, in each case in accordance with applicable law and on the terms described herein; the Merger Agreement and all other related documentation shall be satisfactory to the Lenders; and none of such documentation shall have been amended, waived or modified in any material respect without the consent of the Lenders.

After giving effect to the Transactions and the other transactions contemplated hereby, the Borrower and its subsidiaries shall have outstanding no indebtedness or preferred stock other than (a) the loans and other extensions of credit under the Facilities and (b) other indebtedness to be agreed upon.

The Lenders shall have received (a) audited consolidated balance sheets and related statements of income, stockholders' equity and cash flows of the Borrower and the Target for the 1997, 1998 and 1999 fiscal years and (b) unaudited consolidated balance sheets and related statements of income, stockholders' equity and cash flows of the Borrower and the Target for each subsequent fiscal quarter ended 30 days before the Closing Date, which financial statements shall not be materially inconsistent with the financial statements or forecasts previously provided to the Lenders.

The amount and nature of any environmental or health and safety liabilities, including any liabilities related to the presence or release of, or exposure to, hazardous substances, to which the Borrower and its subsidiaries may be subject after giving effect to the Transactions shall be substantially consistent with the Agent's understanding thereof based on the disclosure contained in the Company's Annual Report on Form 10-K for the year ended December 31, 1999.

All requisite governmental authorities and third parties shall have approved or consented to the Transactions and the other transactions contemplated hereby to the extent required, all applicable appeal periods shall have expired and there shall be no litigation, governmental,

administrative or judicial action, actual or threatened, that could reasonably be expected to restrain, prevent or impose burdensome conditions on the other Transactions or the other transactions contemplated hereby.

Conditions Precedent to all Borrowings:

Delivery of notice, accuracy of representations and warranties and absence of defaults.

Affirmative Covenants:

Usual for facilities and transactions of this type and otherwise substantially in the form of those contained in the Restated Credit Agreement, including delivery of financial statements and other financial information; maintenance of corporate existence and rights; performance of obligations, including payment of taxes and ERISA; compliance with law; delivery of notices of default and litigation; maintenance of satisfactory insurance and inspection of books and properties.

Negative Covenants:

Usual for facilities and transactions of this type and otherwise substantially in the form of those contained in the Restated Credit Agreement, including limitations on restricted payments; limitations on dispositions of property; limitations on guarantees; limitations on mergers, acquisitions and asset sales; limitations on subsidiary equity issuances; limitations on liens; limitations on loans and investments; limitations on debt and hedging arrangements; limitations on acquisitions of Margin Stock and limitations on changes in business conducted by the Borrower and its subsidiaries.

Selected Financial Covenants:

Usual for facilities and transactions of this type and otherwise substantially in the form of those contained in the Restated Credit Agreement (with financial definitions and levels to be agreed upon), including (a) maximum ratios of Funded Debt to Total Capitalization, (b) maximum ratios of Funded Debt to Cash Flow and (c) minimum ratios of Cash Flow minus Capital Expenditures to Fixed Charges.

Events of Default:

Usual for facilities and transactions of this type and otherwise substantially in the form of those contained in the Restated Credit Agreement, including: failure to pay principal, interest or other amounts; breach of representations and warranties; breach of covenants; certain bankruptcy events; cross default and cross acceleration; certain ERISA matters; certain judgments; and Change in Control (to be defined).

Voting:	Amendments and waivers of the definitive credit documentation will require the approval of Lenders holding more than 50% of the aggregate amount of the loans and commitments under the Facilities, except that the consent of each Lender adversely affected thereby shall be required with respect to, among other things, (a) increases in the commitment of such Lender, (b) reductions of principal, interest or fees and (c) extensions of final maturity.
Yield Protection and Illegality:	Usual and customary, including but not limited to protection with respect to breakage costs, changes in capital requirements or their interpretation, changes in circumstances, reserves, illegality and taxes.
Assignments and Participations:	The Lenders will be permitted to assign loans and commitments to other Lenders (or their affiliates) without restriction, or to other financial institutions with the consent of the Borrower and the Agents, in each case not to be unreasonably withheld. Each assignment (except to other Lenders or their affiliates) will be in a minimum amount of $10,000,000. The Agents will receive a customary processing and recordation fee, payable by the assignor and/or the assignee, with each assignment. Assignments will be by novation. The Lenders will be permitted to participate loans and commitments without restriction to other financial institutions. Voting rights of participants shall be limited to matters in respect of (a) increases in commitments, (b) reductions of principal, interest or fees and (c) extensions of final maturity.
Expenses and Indemnification:	The Borrower will indemnify the Arrangers, the Agents and other Lenders and hold them harmless from and against all costs, expenses (including without limitation fees, disbursements and other charges of counsel) and liabilities of the Arrangers, the Agents and the other Lenders arising out of or relating to any claim or any litigation or other proceeding (regardless of whether the Arrangers, the Agents or any other Lender is a party thereto) that relates to the Transactions, including the financing contemplated hereby, the Acquisition or any transactions connected therewith, *provided* that none of the Arrangers, the Agents or any other Lender will be indemnified for any cost, expense or liability to the extent determined in the final judgment of a court of competent jurisdiction to

have resulted from its gross negligence or willful misconduct. In addition, all out-of-pocket expenses of the Lenders for enforcement costs and documentary taxes associated with the Facilities are to be paid by the Borrower.

Governing Law and Forum:	New York.
Counsel to Agents and Arrangers:	Cravath, Swaine & Moore.

ANNEX I

Facility Fee:

Facility Fees will accrue and be payable to the Lenders on the aggregate amount of each Facility (whether drawn or undrawn), commencing on the Closing Date. Facility Fees will be payable in arrears at the end of each calendar quarter and upon the maturity date or the termination of the commitments. The rates at which the Facility Fees accrue will depend upon the ratings of Moody's Investors Service, Inc. and Standard and Poor's Ratings Services (the "Ratings") applicable to the Borrower's senior, unsecured, non-credit enhanced long-term debt (the "Index Debt"), as set forth in the table appearing at the end of this Annex I.

Interest Rates:

The interest rates under the Facilities will be, at the option of the Borrower, Adjusted LIBOR or ABR, in each case plus spreads depending upon the Ratings, as set forth in the table appearing at the end of this Annex I.

The Borrower may elect interest periods of 1, 2, 3 or 6 months for Adjusted LIBOR borrowings.

Calculation of interest shall be on the basis of the actual days elapsed in a year in of 360 days (or 365 or 366 days, as the case may be, in the case of ABR loans based on the Prime Rate) and interest shall be and interest shall be payable at the end of each interest period and, in any event, at least every 3 months.

ABR is the Alternate Base Rate, which is the higher of Chase's Prime Rate and the Federal Funds Effective Rate plus 1/2 of 1%.

Adjusted LIBOR will at all times include statutory reserves.

ANNEX II

Sources and Uses of Funds
(in millions of dollars)
(all figures are approximate)

Sources of Funds		Uses of Funds	
Facilities 1/			
364-Day Revolver	$1,295.7	Purchase of Equity	$3,972.0
5-Year Revolver	3,000.0	Retire Misc. Existing Debt & Preferred	511.5
Excess Cash/Option Proceeds	262.8	Fees & Expenses	75.0
Total Sources	$4,558.5	Total Uses	$4,558.5

1/ Represents amount to be drawn under the $6,000,000,000 Facilities on the Closing Date.

FEE AND SPREAD TABLES

364-Day Facility	Ratings (S&P/Moody's)	Facility Fee (bps per annum)	LIBOR Spread (bps per annum)	ABR Spread (bps per annum)	Drawn Cost (bps per annum)
Catagory 1	BBB+ or Baal or higher	10.0	65.0	0.0	75.0
Catagory 2	BBB or Baa2 or higher	12.5	87.5	0.0	100.0
Catagery 3	BBB- and Baa3	17.5	107.5	7.5	125.0
Catagory 4	BBB- and Bal or BB+ and Baa3	25.0	125.0	25.0	150.0
Catagory 5	BB+ and Bal	30.0	145.0	45.0	175.0
Catagory 6	Anything lower	37.5	187.5	87.5	225.0

Five-Year Facility	Ratings (S&P/Moody's)	Facility Fee (bps per annum)	LIBOR Spread (bps per annum)	ABR Spread (bps per annum)	Drawn Cost (bps per annum)
Catagory 1	BBB+ or Baal or higher	15.0	60.0	0.0	75.0
Catagory 2	BBB or Baa2 or higher	17.5	82.5	0.0	100.0
Catagery 3	BBB- and Baa3	22.5	102.5	2.5	125.0
Catagory 4	BBB- and Bal or BB+ and Baa3	37.5	112.5	12.5	150.0
Catagory 5	BB+ and Bal	42.5	132.5	32.5	175.0
Catagory 6	Anything lower	50.0	175.0	75.0	225.0

EXHIBIT 99.(d)(1)

- --

AGREEMENT AND PLAN OF MERGER

DATED AS OF DECEMBER 21, 2000

AMONG

NORTHROP GRUMMAN CORPORATION,

LITTON INDUSTRIES, INC.

AND

LII ACQUISITION CORP.

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AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER (this "Agreement") dated as of December 21, 2000 is among LITTON INDUSTRIES, INC., a Delaware corporation (the "Company"), NORTHROP GRUMMAN CORPORATION, a Delaware corporation ("Parent") and LII ACQUISITION CORP., a Delaware corporation and a wholly owned subsidiary of Parent ("Acquisition").

WHEREAS, the board of directors of the Company (the "Company Board") has, in light of and subject to the terms and conditions set forth herein, (i) approved this Agreement, and deem it and the Offer (as defined below) advisable, and fair to and in the best interests of the common stockholders of the Company and (ii) resolved to recommend acceptance of the Offer to the common stockholders of the Company and approval and adoption by the stockholders of the Company of this Agreement; and

WHEREAS, in furtherance thereof, it is proposed that Acquisition shall, by January 5, 2001, commence a tender offer (the "Offer") to acquire all of the outstanding shares of common stock, par value $1.00 per share, of the Company (the "Shares"), together with the associated Rights (as hereafter defined), at a price of $80.00 per Share (such amount, or any greater amount per share paid pursuant to the Offer, being hereinafter referred to as the "Per Share Amount"), net to the seller in cash, and to acquire all of the outstanding shares of Series B $2 Cumulative Preferred Stock, par value $5.00 per share (the "Preferred Shares") at a price of $35.00 per Preferred Share (such amount, or any greater amount per share paid pursuant to the Offer, being referred to as the "Per Preferred Share Amount"), net to the seller in cash, in accordance with the terms and subject to the conditions provided herein

NOW THEREFORE in consideration of the premises and the representations, warranties covenants and agreements herein contained and intending to be legally bound hereby, the Company, Parent and Acquisition hereby agree as follows:

ARTICLE 1

THE OFFER

SECTION 1.1. The Offer .

(a) Provided that this Agreement shall not have been terminated in accordance with Article 7 and none of the events or conditions set forth in Annex A shall have occurred and be existing, by January 5, 2001, Parent shall cause Acquisition to commence, and Acquisition shall commence (within the meaning of Rule 14d-2 under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) the Offer; and Parent and Acquisition shall use all reasonable efforts to consummate the Offer. Parent shall cause Acquisition to accept for payment, and Acquisition shall accept for payment, Shares and Preferred Shares which have been validly tendered and not withdrawn pursuant to the Offer at the earliest time following expiration of the initial offering period in the Offer at which all conditions to the Offer shall have been satisfied or

waived by Acquisition, and thereafter shall accept for payment additional Shares and/or Preferred Shares validly tendered during any subsequent offering period. The obligation of Acquisition to accept for payment, and pay for Shares and/or Preferred Shares tendered pursuant to the Offer shall be subject only to the condition that the sum of the number of Shares validly tendered plus the number of Preferred Shares validly tendered shall be at least 25,562,006 shares (the "Minimum Condition") and the other conditions set forth in Annex A hereto. Acquisition expressly reserves the right to increase the price per Share or price per Preferred Share payable in the Offer and to waive any condition of the Offer, except the Minimum Condition. Without the prior written consent of the Company, Acquisition shall not decrease the Per Share Amount or the Per Preferred Share Amount or change the form of consideration payable in the Offer, decrease the number of Shares or Preferred Shares sought to be purchased in the Offer, impose additional conditions to the Offer, amend any other term of the Offer in any manner adverse to the holders of Shares or Preferred Shares, reduce the time period during which the Offer shall remain open or waive the Minimum Condition. The Per Share Amount and the Per Preferred Share Amount shall be paid net to the seller in cash, less any required withholding of taxes, upon the terms and subject to such conditions of the Offer. The Company agrees that no Shares or Preferred Shares held by the Company or any of its subsidiaries will be tendered in the Offer.

(b) As soon as practicable after the date hereof, Acquisition shall file with the Securities and Exchange Commission (the "SEC") a Tender Offer Statement on Schedule TO with respect to the Offer, which shall include an offer to purchase and form of transmittal letter (together with any supplements or amendments thereto, collectively the "Offer Documents"). The Offer Documents will comply in all material respects with the provisions of applicable federal securities laws. The information provided and to be provided by the Company, Parent and Acquisition for use in the Offer Documents shall not, on the date filed with the SEC and on the date first published or sent or given to the Company's stockholders, as the case may be, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. Parent, Acquisition and the Company each agrees promptly to correct any information provided by it for use in the Offer Documents if and to the extent that it shall have become false or misleading in any material respect and Acquisition further agrees to take all steps necessary to cause the Offer Documents as so corrected to be filed with the SEC and to be disseminated to holders of Shares and Preferred Shares, in each case as and to the extent required by applicable federal securities laws.

(c) Subject to the terms and conditions thereof, the Offer shall remain open until at least midnight, New York City time, on the date that is twenty (20) business days after the date the Offer is commenced (the initial "Expiration Date," and any expiration time and date established pursuant to an authorized extension of the Offer as so extended, also an "Expiration Date"); provided, however, that without the consent of the Company Board, Acquisition may: (i) from time to time extend the Offer (each such individual extension not to exceed five (5) business days after the previously scheduled Expiration Date), if at the scheduled Expiration Date any of the conditions of the Offer shall not have been satisfied or waived, until such time as such conditions are satisfied or waived to the extent permitted by this Agreement; (ii) extend the Offer for any period required by any rule, regulation, interpretation or position of the SEC or the staff thereof applicable to the Offer; or (iii) extend the Offer for a subsequent offering period (as provided in Rule 14d-11 under the Exchange Act) of up to twenty (20) business days in order to

acquire over ninety percent (90%) of the outstanding Shares or Preferred Shares. Parent agrees to cause Acquisition to extend the Offer from time to time in accordance with this Section 1.1(c) for the shortest time periods which it reasonably believes are necessary until consummation of the Offer if the conditions of the Offer shall not have been satisfied or waived so long as this Agreement shall not have been terminated in accordance with Article 7 hereof. Parent and Acquisition shall comply with the obligations respecting prompt payment and announcement under the Exchange Act, and, without limiting the generality of the foregoing, Acquisition shall, and Parent shall cause Acquisition to, accept for payment, and pay for, all Shares and Preferred Shares validly tendered and not withdrawn pursuant to the Offer promptly following the acceptance of such Shares and Preferred Shares for payment pursuant to the Offer and this Agreement.

SECTION 1.2. Company Action.

(a) The Company hereby approves of and consents to the Offer and represents and warrants that the Company Board, at a meeting duly called and held, has, subject to the terms and conditions set forth herein, (i) approved this Agreement, and deem it and the Offer advisable, and fair to and in the best interests of the common stockholders of the Company, (ii) approved this Agreement and the transactions contemplated hereby, including the Offer and the Merger, in all respects and such approval constitutes approval of the Offer, this Agreement and the Merger for purposes of Section 203 of the Delaware General Corporation Law (the "DGCL") and (iii) resolved to recommend that the common stockholders of the Company accept the Offer, tender their Shares thereunder to Acquisition and that the stockholders of the Company approve and adopt this Agreement and the Merger; provided, that such recommendation may be withdrawn, modified or amended if permitted by Sections 5.3 and 5.4. The Company consents to the inclusion of such recommendation and approval in the Offer Documents. The Company further represents that Merrill Lynch & Co. (the "Financial Adviser") has delivered to the Company Board its written opinion that the Merger Consideration to be received by the common stockholders of the Company pursuant to the Offer and the Merger is fair to such stockholders from a financial point of view.

(b) The Company hereby agrees to file with the SEC as soon as practicable after the filing by Parent and Acquisition of the Offer Documents pursuant to Section 1.1(b) a Solicitation/Recommendation Statement on Schedule 14D-9 pertaining to the Offer (together with any amendments or supplements thereto, the "Schedule 14D-9") containing the recommendation described in Section 1.2(a) and to promptly mail the Schedule 14D-9 to the stockholders of the Company. The Schedule 14D-9 will comply in all material respects with the provisions of applicable federal securities laws and, on the date filed with the SEC and on the date first published, sent or given to the Company's stockholders, shall not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, except that no representation is made by the Company with respect to information supplied by Parent or Acquisition in writing for inclusion in the Schedule 14D-9. The Company, Parent and Acquisition each agrees promptly to correct any information provided by it for use in the Schedule 14D-9 if and to the extent that it shall have become false or misleading in any material respect and the Company further agrees to take all steps necessary to cause the Schedule 14D-9 as so corrected to be filed with the SEC and disseminated to the

holders of Shares and Preferred Shares, in each case as and to the extent required by applicable federal securities laws.

(c) In connection with the Offer, the Company will promptly furnish Parent and Acquisition with mailing labels, security position listings and any available listing or computer files containing the names and addresses of the record holders of the Shares and Preferred Shares as of a recent date and shall furnish Acquisition with such additional information and assistance (including, without limitation, updated lists of stockholders, mailing labels and lists of securities positions) as Acquisition or its agents may reasonably request in communicating the Offer to the record and beneficial holders of Shares and Preferred Shares. Except for such steps as are necessary to disseminate the Offer Documents and any other documents necessary to consummate the Merger, Parent, Acquisition and their affiliates, associates, agents and advisors shall use the information contained in any such labels, listings and files only in connection with the Offer and the Merger, and, if this Agreement shall be terminated, will deliver to the Company all copies of such information then in their possession.

SECTION 1.3. Board of Directors; Section 14(f).

(a) Promptly upon the purchase by Acquisition of Shares pursuant to the Offer and from time to time thereafter, and subject to the last sentence of this Section 1.3(a), Acquisition shall be entitled to designate up to such number of directors, rounded to the nearest whole number constituting at least a majority of the directors, on the Company Board as will give Acquisition representation on the Company Board equal to the product of the number of directors on the Company Board (giving effect to any increase in the number of directors pursuant to this Section 1.3) and the percentage that such number of Shares so purchased bears to the total number of outstanding Shares, and the Company shall use all reasonable efforts to, upon request by Acquisition, promptly, at the Company's election, either increase the size of the Company Board or secure the resignation of such number of directors as is necessary to enable Acquisition's designees to be elected to the Company Board and to cause Acquisition's designees to be so elected. At such times, the Company will use its best efforts to cause persons designated by Acquisition to constitute a majority of each committee of the Company Board, other than any committee of the Company Board established to take action under this Agreement. Notwithstanding the foregoing, the Company shall use all reasonable efforts to ensure that three of the members of the Company Board as of the date hereof shall remain members of the Company Board until the Effective Time (as defined in Section 2.2 hereof). If the number of directors who are members of the Company Board as of the date hereof is reduced below three prior to the Effective Time, the remaining directors who are members of the Company Board as of the date hereof (or if there is only one such director, that remaining director) shall be entitled to designate a person (or persons) to fill such vacancy (or vacancies).

(b) The Company's obligation to appoint designees to the Company Board shall be subject to Section 14(f) of the Exchange Act and Rule 14f-1 promulgated thereunder. The Company shall promptly take all action required pursuant to such Section and Rule in order to fulfill its obligations under this Section 1.3 and shall include in the Schedule 14D-9 such information with respect to the Company and its officers and directors as is required under such Section and Rule in order to fulfill its obligations under this Section 1.3. Acquisition will supply

to the Company in writing and be solely responsible for any information with respect to itself and its nominees, officers, directors and affiliates required by such Section and Rule.

(c) Following the election or appointment of Acquisition's designees pursuant to this Section 1.3 and prior to the Effective Time, if there shall be any directors of the Company who were directors as of the date hereof, any amendment of this Agreement, any termination of this Agreement by the Company, any extension by the Company of the time for the performance of any of the obligations or other acts of Acquisition or Parent or waiver of any of the Company's rights hereunder or other action adversely affecting the rights of stockholders of the Company (other than Parent or Acquisition), will require the concurrence of a majority of such directors.

ARTICLE 2

THE MERGER

SECTION 2.1. The Merger. At the Effective Time and upon the terms and subject to the conditions of this Agreement and in accordance with the DGCL, Acquisition shall be merged with and into the Company (the "Merger"). Following the Merger, the Company shall continue as the surviving corporation (the "Surviving Corporation") and the separate corporate existence of Acquisition shall cease.

SECTION 2.2. Effective Time. Subject to the terms and conditions set forth in this Agreement, a Certificate of Merger (the "Merger Certificate") shall be duly executed and acknowledged by Acquisition and the Company and thereafter delivered to the Secretary of State of the State of Delaware for filing pursuant to the DGCL on the Closing Date. The Merger shall become effective at such time as a properly executed and certified copy of the Merger Certificate is duly filed with the Secretary of State of the State of Delaware in accordance with the DGCL or such later time as Parent and the Company may agree upon and set forth in the Merger Certificate (the time the Merger becomes effective being referred to herein as the "Effective Time").

SECTION 2.3. Closing of the Merger. The closing of the Merger (the "Closing") will take place at a time and on a date (the "Closing Date") to be specified by the parties, which shall be no later than the second business day after satisfaction of the latest to occur of the conditions set forth in Article 6 at the offices of Gibson, Dunn & Crutcher LLP, 333 South Grand Avenue, Los Angeles, California 90071, unless another time, date or place is agreed to in writing by the parties hereto.

SECTION 2.4. Effects of the Merger. The Merger shall have the effects set forth in the DGCL. Without limiting the generality of the foregoing and subject thereto, at the Effective Time all the properties, rights, privileges, powers and franchises of the Company and Acquisition shall vest in the Surviving Corporation and all debts, liabilities and duties of the Company and Acquisition shall become the debts, liabilities and duties of the Surviving Corporation.

SECTION 2.5. Certificate of Incorporation and Bylaws. The Restated Certificate of Incorporation of the Company in effect at the Effective Time shall be the Certificate of Incorporation of the Surviving Corporation until thereafter amended in accordance with

applicable law and such Certificate of Incorporation; provided, however, that Article Fourth, Section 1 of the Restated Certificate of Incorporation of the Company shall be amended in its entirety to read as follows: "The Corporation shall 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." The Bylaws of the Company in effect at the Effective Time shall be the Bylaws of the Surviving Corporation until amended in accordance with applicable law, the Certificate of Incorporation of the Surviving Corporation and such Bylaws.

SECTION 2.6. Directors. The directors of Acquisition at the Effective Time shall be the initial directors of the Surviving Corporation, each to hold office in accordance with the Certificate of Incorporation and Bylaws of the Surviving Corporation until such director's successor is duly elected or appointed and qualified.

SECTION 2.7. Officers. The officers of the Company at the Effective Time shall be the initial officers of the Surviving Corporation, each to hold office in accordance with the Certificate of Incorporation and Bylaws of the Surviving Corporation until such officer's successor is duly elected or appointed and qualified.

SECTION 2.8. Conversion of Shares.

(a) At the Effective Time, each share of common stock, par value $1.00 per share, of the Company (a "Share") issued and outstanding immediately prior to the Effective Time (other than (i) Shares held in the Company's treasury or by any of the Company's subsidiaries and (ii) Shares held by Parent, Acquisition or any other subsidiary of Parent) shall, by virtue of the Merger and without any action on the part of Acquisition, the Company or the holder thereof, be converted into and shall become the right to receive an amount in cash equal to the Per Share Amount, without interest (the "Merger Consideration"). Unless the context otherwise requires, each reference in this Agreement to the Shares shall include the associated Rights (as such term is defined in Section 3.2(a) hereof). Notwithstanding the foregoing if between the date of this Agreement and the Effective Time, the Shares shall have been changed into a different number of shares or a different class by reason of any stock dividend, subdivision, reclassification, recapitalization, split, combination or exchange of shares then the Merger Consideration contemplated by the Merger shall be correspondingly adjusted to reflect such stock dividend, subdivision, reclassification, recapitalization, split, combination or exchange of shares.

(b) At the Effective Time, each outstanding share of the common stock, par value $0.01 per share, of Acquisition shall be converted into 3,000 shares of common stock, par value $1.00 per share, of the Surviving Corporation.

(c) At the Effective Time, each Share held in the treasury of the Company and each Share held by Parent, Acquisition or any subsidiary of Parent, Acquisition or any subsidiary of the Company immediately prior to the Effective Time shall, by virtue of the Merger and without any action on the part of Acquisition, the Company or the holder thereof, be canceled, retired and cease to exist and no payment shall be made with respect thereto.

(d) At the Effective Time, each issued and outstanding share of the Series B $2 Cumulative Preferred Stock, par value $5.00 per share, of the Company shall remain outstanding, without any change, as a share of the Series B $2 Cumulative Preferred Stock, par value $5.00 per share, of the Surviving Corporation.

SECTION 2.9. Payment of Merger Consideration.

(a) From time to time following the Effective Time, as necessary to satisfy the requirements of Section 2.9(b), Parent shall deliver to such agent or agents as may be appointed by Parent and Acquisition and reasonably satisfactory to the Company (the "Payment Agent") for the benefit of the holders of Shares, in cash the aggregate amount necessary to pay the Merger Consideration (such cash hereinafter referred to as the "Merger Fund") payable and issuable pursuant to Section 2.8 in exchange for outstanding Shares.

(b) As soon as reasonably practicable after the Effective Time, the Payment Agent shall mail to each holder of record of a certificate or certificates which immediately prior to the Effective Time represented outstanding Shares (the "Certificates") whose shares were converted into the right to receive the Merger Consideration pursuant to Section 2.8: (i) a letter of transmittal (which shall specify that delivery shall be effected and risk of loss and title to the Certificates shall pass only upon delivery of the Certificates to the Payment Agent and shall be in such form and have such other provisions as Parent and the Company may reasonably specify) and (ii) instructions for use in effecting the surrender of the Certificates in exchange for the Merger Consideration. Upon surrender of a Certificate for cancellation to the Payment Agent together with such letter of transmittal duly executed, the holder of such Certificate shall be entitled to receive in exchange therefor a check representing the Merger Consideration which such holder has the right to receive pursuant to the provisions of this Article 2 and the Certificate so surrendered shall forthwith be canceled. In the event of a transfer of ownership of Shares which is not registered in the transfer records of the Company, payment of the Merger Consideration may be made to a transferee if the Certificate representing such Shares is presented to the Payment Agent accompanied by all documents required to effect such transfer and by evidence that any applicable stock transfer taxes have been paid. Until surrendered as contemplated by this Section 2.9, each Certificate shall be deemed at any time after the Effective Time to represent only the right to receive upon such surrender the Merger Consideration as contemplated by this Section 2.9.

(c) In the event that any Certificate for Shares shall have been lost, stolen or destroyed, the Payment Agent shall issue in exchange therefor, upon the making of an affidavit of that fact by the holder thereof, such Merger Consideration as may be required pursuant to this Agreement; provided, however, that Parent or its Payment Agent may, in its discretion, require the delivery of a suitable bond or indemnity.

(d) All Merger Consideration paid upon the surrender for exchange of Shares in accordance with the terms hereof shall be deemed to have been paid in full satisfaction of all rights pertaining to such Shares; subject, however, to the Surviving Corporation's obligation to pay any dividends or make any other distributions with a record date prior to the Effective Time which may have been declared or made by the Company on such Shares in accordance with the terms of this Agreement, or prior to the date hereof and which remain unpaid at the Effective

Time, and there shall be no further registration of transfers on the stock transfer books of the Surviving Corporation of the Shares which were outstanding immediately prior to the Effective Time. If after the Effective Time Certificates are presented to the Surviving Corporation for any reason they shall be canceled and exchanged as provided in this Article 2

(e) Any portion of the Merger Fund which remains undistributed to the stockholders of the Company for six months after the Effective Time shall be delivered to Parent upon demand and any stockholders of the Company who have not theretofore complied with this Article 2 shall thereafter look only to Parent for payment of their claim for the Merger Consideration.

(f) Neither Parent nor the Company shall be liable to any holder of Shares for cash from the Merger Fund delivered to a public official pursuant to any applicable abandoned property, escheat or similar law.

SECTION 2.10. Stock Options.

(a) As of the Effective Time, each outstanding option to purchase Shares that has been granted by the Company (a "Company Stock Option" or collectively "Company Stock Options") that is then vested (an "A Option") shall be converted into the right to receive a cash payment in accordance with the terms of this Section 2.10(a). All plans or agreements pursuant to which any Company Stock Option or Share of restricted stock ("Restricted Stock") has been issued or may be issued are referred to collectively as the "Company Plans." Immediately following the Effective Time, Parent or the Surviving Corporation shall pay to each holder of an A Option, in cancellation of such A Option, an amount of cash equal to (x) the excess of (i) the Merger Consideration over (ii) the per-share exercise price of such Company Stock Option times (y) the number of Shares subject to such Company Stock Option, subject to all required tax withholding. Notwithstanding the foregoing, the Company shall provide the holders of A Options the opportunity to elect, before the Effective Time, to have some or all of their A Options to be instead converted into options to acquire Parent Common Stock pursuant to Section 2.10(b) below, as if they were B Options (as defined in Section 2.10(b) below). Such election opportunity shall be provided in one or more written communications jointly prepared by, and mutually satisfactory to, the Company and Parent and furnished to the holders of A Options not less 30 days prior to the Effective Time.

(b) As of the Effective Time, each outstanding Company Stock Option that is not an A Option (a "B Option") shall be converted into an option to purchase shares of Parent Common Stock in accordance with the terms of this Section 2.10(b). Each B Option shall be deemed to constitute an option to acquire, on the same terms and conditions as were applicable under such B Option, a number of shares of Parent Common Stock equal to the number of Shares subject to such B Option times the Ratio (as defined below) at a price per share equal to the per-Share exercise price of the B Option divided by the Ratio; provided, however, that in the case of any B Option to which Section 421 of the Code applies by reason of its qualification under Section 422 of the Code ("incentive stock options") the option price, the number of shares purchasable pursuant to such option and the terms and conditions of exercise of such option shall be determined in order to comply with Section 424(a) of the Code. The "Ratio" means a fraction, the numerator of which is the Merger Consideration and the denominator of which is the average

of the high and low trading prices of the Parent Common Stock on the New York Stock Exchange during normal business hours on the day on which the Effective Time occurs.

(c) It is acknowledged and agreed that each share of Restricted Stock that is outstanding at the time of the consummation of the Offer will vest (and all restrictions will lapse) upon the consummation of the Offer, and will therefore be converted into the Merger Consideration at the Effective Time, subject to all required tax withholding.

(d) As soon as practicable after the Effective Time, Parent shall deliver to the holders of B Options appropriate notices setting forth such holders' rights pursuant to the Company Plan and that the agreements evidencing the grants of such B Options shall continue in effect on the same terms and conditions (subject to the adjustments required by this Section 2.10 after giving effect to the Merger). Parent shall comply with the terms of the Company Plans and ensure, to the extent required by and subject to the provisions of such Plans, that B Options which qualified as incentive stock options prior to the Effective Time continue to qualify as incentive stock options of Parent after the Effective Time.

(e) Parent shall take all corporate action necessary to reserve for issuance a sufficient number of shares of Parent Common Stock for delivery upon exercise of B Options assumed in accordance with Section 2.10(b). At the Effective Time, Parent shall file a registration statement on Form S-8 (or any successor or other appropriate forms) with respect to the shares of Parent Common Stock subject to any options held by persons who are or were directors, officers or employees of the Company or its subsidiaries and shall use its best efforts to maintain the effectiveness of such registration statement or registration statements (and maintain the current status of the prospectus or prospectuses contained therein) for so long as such options remain outstanding.

(f) At or before the Effective Time, the Company shall cause to be effected any necessary amendments to the Company Plans to give effect to the foregoing provisions of this Section 2.10.

SECTION 2.11. Dissenting Shares. Shares outstanding immediately prior to the Effective Time and held by a holder who neither shall have voted in favor of the Merger nor shall have consented thereto in writing and who shall have demanded appraisal for such Shares in accordance with the DGCL ("Dissenting Shares") shall not be converted into a right to receive the Merger Consideration, unless such holder fails to perfect, withdraws or otherwise loses its right to appraisal. If, after the Effective Time, such holder fails to perfect, withdraws or loses its right to appraisal, such Shares shall be treated as if they had been converted as of the Effective Time into a right to receive the Merger Consideration. The Company shall give Parent prompt notice of any demands received by the Company for appraisal of Shares. Except as required by applicable law or with the prior written consent of Parent, the Company shall not make any payment with respect to, or settle or offer to settle, any such demands.

ARTICLE 3

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

Except as publicly disclosed by the Company in the Company SEC Reports and except as set forth on the Disclosure Schedule (it being agreed that disclosure of any item in such schedules shall be deemed disclosure with respect to any section of this Agreement to which the relevance of such item is apparent) previously delivered by the Company to Parent (the "Company Disclosure Schedule"), the Company hereby represents and warrants to each of Parent and Acquisition as follows:

SECTION 3.1. Organization and Qualification; Subsidiaries.

(a) Section 3.1 of the Company Disclosure Schedule identifies each subsidiary of the Company as of the date hereof and its respective jurisdiction of incorporation or organization, as the case may be. Each of the Company and its subsidiaries is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization and has all requisite corporate power and authority to own, lease and operate its properties and to carry on its businesses as now being conducted. The Company has heretofore delivered to Acquisition or Parent accurate and complete copies of the Certificate of Incorporation and Bylaws (or similar governing documents), as currently in effect, of the Company and its subsidiaries.

(b) Each of the Company and its subsidiaries is duly qualified or licensed and in good standing to do business in each jurisdiction in which the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification or licensing necessary, except in such jurisdictions where the failure to be so duly qualified or licensed and in good standing would not have a Company Material Adverse Effect. The term "Company Material Adverse Effect" means any changes or effects that, individually or in the aggregate, are materially adverse to the business, assets, long-term earning capacity or financial condition of the Company and its subsidiaries, taken as whole, other than any changes or effects arising out of (i) general economic conditions, (ii) conditions generally affecting industries in which the Company operates, (iii) the financial markets or (iv) the entering into or the public announcement or disclosure of this Agreement or the transactions contemplated hereby.

SECTION 3.2. Capitalization of the Company and its Subsidiaries.

(a) The authorized capital stock of the Company consists of (i) 120 million Shares, of which, as of November 30, 2000, 45,518,647 Shares were issued and outstanding, excluding 2,734,083 Shares held in the Company's treasury, (each together with a Share purchase right (the "Rights") issued pursuant to the Stockholder Rights Plan dated as of August 17, 1994 (the "Rights Plan") between the Company and The Bank of New York, as Rights Agent), (ii) 22 million shares of preferred stock, par value $5.00 per share, of which, as of November 30, 2000, 410,643 shares of Series B $2 Cumulative Preferred Stock were issued and outstanding and 150,000 shares were designated as Series A Participating Preferred Stock and were reserved for issuance under the Rights Plan and (iii) 8 million shares of preference stock, par value $2.50 per share, no shares of which are outstanding. All of the outstanding Shares have been validly issued

and are fully paid, nonassessable and free of preemptive rights. As of November 30, 2000, 5,194,720 Shares were reserved for issuance pursuant to outstanding Company Stock Options. Between August 1, 2000 and the date hereof, no shares of the Company's capital stock have been issued other than pursuant to Company Stock Options already in existence on such date, and between August 1, 2000 and the date hereof no stock options have been granted. Except as set forth above and except for the Rights, as of November 30, 2000, there were outstanding (i) no shares of capital stock or other voting securities of the Company, (ii) no securities of the Company or its subsidiaries convertible into or exchangeable for shares of capital stock or voting securities of the Company, (iii) no options or other rights to acquire from the Company or its subsidiaries and, no obligations of the Company or its subsidiaries to issue any capital stock, voting securities or securities convertible into or exchangeable for capital stock or voting securities of the Company and (iv) no equity equivalent interests in the ownership or earnings of the Company or its subsidiaries (collectively "Company Securities"). As of the date hereof, there are no outstanding obligations of the Company or its subsidiaries to repurchase redeem or otherwise acquire any Company Securities. There are no stockholder agreements, voting trusts or other agreements or understandings to which the Company is a party or by which it is bound relating to the voting or registration of any shares of capital stock of the Company.

(b) All of the outstanding capital stock of the Company's subsidiaries (other than director's qualifying shares in the case of foreign subsidiaries) is owned by the Company, or one of its subsidiaries, directly or indirectly, free and clear of any material Lien or any other material limitation or restriction (including any restriction on the right to vote or sell the same except as may be provided as a matter of law) and except for any Liens which are incurred in the ordinary course of business. There are no securities of the Company or its subsidiaries convertible into or exchangeable for, no options or other rights to acquire from the Company or its subsidiaries and no other contract, understanding, arrangement or obligation (whether or not contingent) providing for, the issuance or sale, directly or indirectly, by the Company or any of its subsidiaries of any capital stock or other ownership interests in or any other securities of any subsidiary of the Company. There are no outstanding contractual obligations of the Company or its subsidiaries to repurchase redeem or otherwise acquire any outstanding shares of capital stock or other ownership interests in any subsidiary of the Company. For purposes of this Agreement, "Lien" means, with respect to any asset (including without limitation any security), any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset.

(c) The Shares and the Preferred Shares constitute the only classes of equity securities of the Company or its subsidiaries registered or required to be registered under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

SECTION 3.3. Authority Relative to this Agreement; Recommendation.

(a) The Company has all necessary corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by the Company and the consummation by the Company of the transactions contemplated hereby have been duly and validly authorized by the Company Board and no other corporate proceedings on the part of the Company are necessary to authorize this Agreement or to consummate the transactions contemplated hereby except the approval and

adoption of this Agreement by the holders of a majority of the outstanding Shares and Preferred Shares, voting together as one class. This Agreement has been duly and validly executed and delivered by the Company and, assuming due authorization, execution and delivery by Parent and Acquisition, constitutes a valid, legal and binding agreement of the Company enforceable, against the Company in accordance with its terms.

(b) The Company Board has unanimously resolved to recommend that the stockholders of the Company approve and adopt this Agreement.

SECTION 3.4. SEC Reports; Financial Statements.

(a) The Company has filed all required forms, reports and documents ("Company SEC Reports") with the Securities and Exchange Commission (the "SEC") since October 1, 1997, each of which has complied in all material respects with all applicable requirements of the Securities Act of 1933, as amended (the "Securities Act") and the Exchange Act, each as in effect on the dates such forms, reports and documents were filed. None of such Company SEC Reports, including, without limitation, any financial statements or schedules included or incorporated by reference therein, contained when filed any untrue statement of a material fact or omitted to state a material fact required to be stated or incorporated by reference therein or necessary in order to make the statements therein in light of the circumstances under which they were made not misleading. The audited consolidated financial statements of the Company included in the Company SEC Reports and the unaudited financial statements contained in the Company's quarterly report on Form 10-Q for the quarter ended October 31, 2000 have been prepared in accordance with generally accepted accounting principles applied on a consistent basis (except as may be indicated in the notes thereto), and fairly present in all material respects the consolidated financial position of the Company and its consolidated subsidiaries as of the dates thereof and their consolidated results of operations and changes in financial position for the periods then ended, except, in the case of unaudited interim financial statements, for normal year-end audit adjustments and the fact that certain information and notes have been condensed or omitted in accordance with the applicable rules of the SEC.

(b) The Company has heretofore made available or promptly will make available to Acquisition or Parent a complete and correct copy of any amendments or modifications which are required to be filed with the SEC but have not yet been filed with the SEC to agreements documents or other instruments which previously had been filed by the Company with the SEC pursuant to the Exchange Act.

SECTION 3.5. Information Supplied. None of the information supplied or to be supplied by the Company for inclusion or incorporation by reference in the proxy statement relating to the meeting of the Company's stockholders to be held in connection with the Merger (the "Proxy Statement") will, at the date the Proxy Statement is mailed to stockholders of the Company or at the time of the meeting of stockholders of the Company to be held in connection with the Merger, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary, in order to make the statements therein in light of the circumstances under which they are made, not misleading. The Proxy Statement insofar as it relates to the meeting of the Company's stockholders to vote on the Merger will comply as to form in all material respects with the provisions of the Exchange Act and the rules and

regulations thereunder. None of the information supplied or to be supplied by the Company for inclusion or incorporation by reference in the Offer Documents or provided by the Company in the Schedule 14D-9 will, at the respective times that the Offer Documents and the Schedule 14D-9 or any amendments or supplements thereto are filed with the SEC and are first published or sent or given to holders of Shares, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

SECTION 3.6. Consents and Approvals; No Violations. Except for filings, permits, authorizations, consents and approvals as may be required under, and other applicable requirements of, the Exchange Act, state securities or blue sky laws, the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), foreign antitrust laws and the filing and recordation of the Merger Certificate as required by the DGCL, no filing with or notice to and no permit, authorization, consent or approval of any court or tribunal, or administrative governmental or regulatory body, agency or authority (a "Governmental Entity") is necessary for the execution and delivery by the Company of this Agreement or the consummation by the Company of the transactions contemplated hereby, except where the failure to obtain such permits, authorizations, consents or approvals or to make such filings or give such notice would not have a Company Material Adverse Effect. Neither the execution, delivery and performance of this Agreement by the Company nor the consummation by the Company of the transactions contemplated hereby will (a) conflict with or result in any breach of any provision of the respective Certificate of Incorporation or Bylaws (or similar governing documents) of the Company or any of its subsidiaries, (b) result in a violation or breach of or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, amendment, cancellation or acceleration or Lien) under any of the terms conditions or provisions of any note, bond, mortgage, indenture, lease, license, contract, agreement or other instrument or obligation to which the Company or any of its subsidiaries is a party or by which any of them or any of their respective properties or assets may be bound or (c) except as set forth in Section 3.6 of the Company Disclosure Schedule, violate any order, writ, injunction, decree, law, statute, rule or regulation applicable to the Company or any of its subsidiaries or any of their respective properties or assets except, in the case of (b) or (c), for violations breaches or defaults which would not have a Company Material Adverse Effect.

SECTION 3.7. No Default. None of the Company or its subsidiaries is in breach, default or violation (and no event has occurred which with notice or the lapse of time or both would constitute a breach default or violation) of any term, condition or provision of (a) its Certificate of Incorporation or Bylaws (or similar governing documents), (b) any note, bond, mortgage, indenture, lease, license, contract, agreement or other instrument or obligation to which the Company or any of its subsidiaries is now a party or by which any of them or any of their respective properties or assets may be bound or (c) any order, writ, injunction, decree, law, statute, rule or regulation applicable to the Company or any of its subsidiaries or any of their respective properties or assets except, in the case of (b) or (c), for violations, breaches or defaults that would not have a Company Material Adverse Effect.

SECTION 3.8. Absence of Changes. Since July 31, 2000, there have been no events, changes or effects with respect to the Company or its subsidiaries that would have a Company Material Adverse Effect.

SECTION 3.9. Litigation. There is no suit, claim, action, proceeding or investigation pending or, to the knowledge of the Company, threatened against the Company or any of its subsidiaries or any of their respective properties or assets before any Governmental Entity which would have a Company Material Adverse Effect or would reasonably be expected to prevent or materially delay the consummation of the transactions contemplated by this Agreement. None of the Company or its subsidiaries is subject to any outstanding order, writ, injunction or decree of any Governmental Entity that would have a Company Material Adverse Effect or would reasonably be expected to prevent or materially delay the consummation of the transactions contemplated hereby.

SECTION 3.10. Compliance with Applicable Law. The Company and its subsidiaries hold all permits, licenses, variances, exemptions, orders and approvals from all Governmental Entities necessary for the lawful conduct of their respective businesses (the "Company Permits") except for failures to hold such permits, licenses, variances, exemptions, orders and approvals which would not have a Company Material Adverse Effect. The Company and its subsidiaries are in compliance with the terms of the Company Permits except where the failure so to comply would not have a Company Material Adverse Effect. The businesses of the Company and its subsidiaries are not being conducted in violation of any law, ordinance or regulation of any Governmental Entity, except that no representation or warranty is made in this Section 3.10 with respect to Environmental Laws (as defined in Section 3.12 below) or any action or circumstance referred to in Section 3.16 and except for violations or possible violations which would not have a Company Material Adverse Effect. To the knowledge of the Company, no investigation or review by any Governmental Entity with respect to the Company or its subsidiaries is pending or threatened nor has any Governmental Entity indicated an intention to conduct the same, other than such investigations or reviews as would not have a Company Material Adverse Effect.

SECTION 3.11. Employee Benefit Plans; Labor Matters.

(a) Section 3.11(a) of the Company Disclosure Schedule lists all material employee benefit plans (as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) and all material bonus, stock option, stock purchase, incentive, deferred compensation, supplemental retirement, severance and other similar fringe or employee benefit plans, programs or arrangements maintained or contributed to by the Company or any of its subsidiaries for the benefit of or relating to any employee of the Company, or any of its subsidiaries, excluding plans, programs, agreements and arrangements under which the Company has no remaining obligations, each individual agreement under which the Company's future obligations and potential obligations do not exceed $200,000 per year or $600,000 in the aggregate, payroll practices, and any plans, programs, agreements and arrangements that are required to be maintained by the Company or any of its subsidiaries under the laws of any foreign jurisdiction (together the "Employee Plans"), other than those referred to in Section 4(b)(4) of ERISA. The Company has made available to Parent a copy of the documents and instruments governing each such Employee Plan (other than those referred to in Section 4(b)(4) of ERISA). No event has occurred and, to the knowledge of the Company, there currently exists no condition or set of circumstances in connection with which the Company or any of its subsidiaries would be subject to any material liability under the terms of any Employee Plans, ERISA, the code or any other applicable law, including, without limitation, any liability under Title IV of ERISA.

(b) Section 3.11(b) of the Company Disclosure Schedule sets forth a list of (i) all employment agreements with executive officers of the Company ("Employment Agreements"); and (ii) all agreements with consultants who are individuals obligating the Company to make annual cash payments in an amount exceeding $200,000. The Company has made available to Parent copies or descriptions of all such agreements.

(c) There will be no material payment, accrual of additional benefits, acceleration of payments or vesting in any benefit under any Employee Plan or any agreement or arrangement disclosed under this Section 3.11 solely by reason of entering into or in connection with the transactions contemplated by this Agreement.

(d) No Employee Plan that is a welfare benefit plan within the meaning of Section 3(1) of ERISA (other than a plan covering only one individual employee or former employee and his or her dependents) provides material benefits to former employees of the Company or its ERISA Affiliates other than pursuant to Section 4980B of the Code.

(e) There are no material controversies pending or, to the knowledge of the Company, threatened between the Company or any of its subsidiaries and any of their respective employees. Section 3.11(e) of the Company Disclosure Schedule lists each collective bargaining agreement or other labor union contract applicable to persons employed by the Company or its subsidiaries in the United States. The Company does not have knowledge of any material activities or proceedings of any labor union to organize any employees of the Company or its subsidiaries. The Company has no knowledge of any material strikes, slowdowns, work stoppages, lockouts or threats thereof by or with respect to any employees of the Company or any of its subsidiaries.

SECTION 3.12. Environmental Laws and Regulations.

(a) (i) Each of the Company and its subsidiaries is in compliance with all applicable federal, state, local and foreign laws and regulations relating to pollution or protection of human health or the environment (including, without limitation, ambient air, surface water, ground water, land surface or subsurface strata) (collectively "Environmental Laws"), except for non-compliance that would not have a Company Material Adverse Effect, which compliance includes but is not limited to, the possession by the Company and its subsidiaries of all material permits and other material authorizations by Governmental Entities required under applicable Environmental Laws and compliance with the terms and conditions thereof; and (ii) none of the Company or its subsidiaries has received written notice of or, to the knowledge of the Company, is the subject of any action, cause of action, claim, investigation, demand or notice by any person or entity alleging liability under or non-compliance with any Environmental Law (an "Environmental Claim") that would have a Company Material Adverse Effect.

(b) Except as disclosed in the Company SEC Reports, there are no Environmental Claims that would have a Company Material Adverse Effect that are pending or, to the knowledge of the Company, threatened against the Company or its subsidiaries or, to the knowledge of the Company, against any person or entity whose liability for any Environmental Claim the Company or any of its subsidiaries has or may have retained or assumed either contractually or by operation of law.

SECTION 3.13 Taxes.

(a) Definitions. For purposes of this Agreement:

(i) the term "Income Tax" shall mean any federal, state, local or foreign Tax (A) based upon, measured by, or calculated with respect to net income or profits (including capital gains Taxes, alternative minimum Taxes and Taxes on items of Tax preference), or (B) based upon, measured by, or calculated with respect to multiple bases (including corporate franchise Taxes), if one or more of the principal bases on which such Tax may be based, measured by, or calculated with respect to is described in clause (A).

(ii) the term "Tax" (including "Taxes") means (A) all federal, state, local, foreign and other net income, gross income, gross receipts, sales, use, ad valorem, transfer, franchise, profits, license, lease, service, service use, withholding, estimated, payroll, employment, excise, severance, stamp, occupation, premium, property, windfall profits, customs, duties or other taxes, fees, assessments or charges of any kind whatsoever, together with any interest and any penalties, additions to tax or additional amounts with respect thereto, (B) any liability for payment of amounts described in clause (A) whether as a result of transferee liability, of being a member of an affiliated, consolidated, combined or unitary group for any period, or otherwise through operation of law, and (C) any liability for the payment of amounts described in clauses (A) or (B) as a result of any tax sharing, tax indemnity or tax allocation agreement or any other express or implied agreement to indemnify any other person; and

(iii) the term "Tax Return" means any return, declaration, report, statement, information statement and other document required to be filed with respect to Taxes.

(b) The Company and its subsidiaries have timely filed (taking into account extensions) all material Income Tax Returns they are required to have filed. All Income Tax Returns filed by the Company and its subsidiaries are accurate and correct in all material respects.

(c) Except as disclosed in the Company SEC Reports, the Company and its subsidiaries have timely paid all material Income Taxes that have become due or payable (other than Taxes being contested in good faith and for which adequate reserves have been established) and have adequately reserved for in accordance with generally accepted accounting principles all material Income Taxes (whether or not shown on any Tax Return) that have accrued but are not yet due or payable.

(d) Except as set forth in the Company SEC Reports, no claim for assessment or collection of material Income Taxes is presently being asserted against the Company or its subsidiaries and there is no presently pending audit examination, refund claim, litigation, proceeding, proposed adjustment or matter in controversy with respect to any material Income Taxes due and owing by the Company or any of its subsidiaries.

(e) Neither the Company nor any subsidiary of the Company has filed any waiver of the statute of limitations applicable to the assessment or collection of any federal Income Tax which remains open.

(f) Neither the Company nor any subsidiary of the Company is a party to any tax indemnity agreement, tax sharing agreement, or other agreement under which it reasonably expects to become liable to another person as a result of the imposition of a material Income Tax upon any person, or the assessment or collection of such a Tax.

(g) The Company and each of its subsidiaries have complied in all material respects with all rules and regulations relating to the withholding of federal Income Taxes.

(h) The representations contained in subparagraphs (b) through (d) and subparagraph (g) hereof are true and correct with respect to all Taxes other than Income Taxes and all Tax Returns with respect to Taxes other than Income Taxes, as applicable, except for such failures that would not have a Company Material Adverse Effect.

(i) Neither the Company nor any of its subsidiaries is a party to any agreement, contract, arrangement or plan that has resulted or would result, separately or in the aggregate, in connection with this Agreement or any change of control of the Company or any of its subsidiaries, in the payment of any "excess parachute payments" within the meaning of Section 280G of the Code.

SECTION 3.14. Intellectual Property; Software.

(a) Each of the Company and its subsidiaries owns or possesses adequate licenses or other valid rights to use all existing United States and foreign patents, trademarks, trade names, service marks, copyrights, trade secrets and applications therefor owned or used by the Company and its subsidiaries (the "Company Intellectual Property Rights"), except where the failure to own or possess valid rights to use such Company Intellectual Property Rights would not have a Company Material Adverse Effect.

(b) Except for any of the following which would not have a Company Material Adverse Effect:

(i) the validity of the Company Intellectual Property Rights and the title thereto of the Company or any subsidiary, as the case may be, is not being questioned in any litigation to which the Company or any subsidiary is a party, and

(ii) the conduct of the business of the Company and its subsidiaries as now conducted does not, to the knowledge of the Company, infringe any valid patents, trademarks, trade names, service marks or copyrights of others. To the knowledge of the Company, the consummation of the transactions contemplated by this Agreement will not result in the loss or impairment of any Company Intellectual Property Rights.

SECTION 3.15. Government Contracts.

(a) Except as disclosed in Section 3.9 or Section 3.15 of the Company Disclosure Schedule, to the knowledge of the Company, with respect to Government Contracts, there is, as of the date hereof, no (i) civil fraud or criminal investigation by any Governmental Entity that would have a Company Material Adverse Effect, (ii) suspension or debarment proceeding (or equivalent proceeding) against the Company or any of its subsidiaries that would have a

Company Material Adverse Effect, (iii) request by the U.S. Government for a contract price adjustment based on a claimed disallowance by the Defense Contract Audit Agency or claim of defective pricing in excess of $40 million, (iv) dispute between the Company or any of its subsidiaries and the U.S. Government which, since August 1, 2000, has resulted in a government contracting officer's determination and finding final decision where the amount in controversy exceeds or is expected to exceed $40 million or (v) claim or equitable adjustment by the Company or any of its subsidiaries against the U.S. Government in excess of $40 million.

(b) For the purposes of this Agreement, with respect to any party, "Government Contract" means any prime contract, subcontract, teaming agreement or arrangement, joint venture, basic ordering agreement, letter contract, purchase order, delivery order, Bid, change order, arrangement or other commitment of any kind relating to the business of the Company between the Company and (i) the U.S. Government or (ii) any prime contractor to the U.S. Government. For the purposes of this Agreement, with respect to any party, "Bid" means any quotation, bid or proposal by the Company or any of its affiliates which, if accepted or awarded, would lead to a Contract with the U.S. Government or any prime contractor to the U.S. Government, for the design, manufacture or sale of products or the provision of services by the Company. For the purposes of this Agreement, with respect to any party, "Contracts" means all contracts, agreements, leases (including leases or real property), licenses, commitments, sales and purchase orders, intercompany work transfer agreements) with respect to work by or for another or such party's businesses) and other instruments of any kind, whether written or oral.

SECTION 3.16. Certain Business Practices. To the knowledge of the Company, none of the Company, any of its subsidiaries or any directors, officers, agents or employees of the Company or any of its subsidiaries has (i) used any funds for unlawful contributions, gifts, entertainment or other unlawful expenses related to political activity, (ii) made any unlawful payment to foreign or domestic government officials or employees or to foreign or domestic political parties or campaigns or violated any provision of the Foreign Corrupt Practices Act of 1977, as amended, or (iii) made any other unlawful payment, which in any event would be material to the Company.

SECTION 3.17. Vote Required. The affirmative vote of the holders of a majority of the outstanding Shares and Preferred Shares, voting together as one class, is the only vote of the holders of any class or series of the Company's capital stock necessary to approve and adopt this Agreement.

SECTION 3.18. Opinion of Financial Adviser. Merrill Lynch & Co. (the "Company Financial Adviser") has delivered to the Company Board its written opinion dated the date of this Agreement to the effect that as of such date the Merger Consideration is fair to the holders of Shares from a financial point of view.

SECTION 3.19. Brokers. No broker, finder or investment banker (other than the Company Financial Adviser, a true and correct copy of whose engagement agreement has been provided to Acquisition or Parent) is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of the Company.

SECTION 3.20. Problems with Customers. Except as provided in Schedule 3.20 of the Company Disclosure Schedule, from July 31, 2000 to the date hereof: (a) no customer of the Company or any of its subsidiaries has canceled or otherwise terminated its relationship with the Company or any of its subsidiaries, except cancellations and terminations that would not have a Company Material Adverse Effect; (b) to the knowledge of the Company, no customer of the Company or any of its subsidiaries has overtly threatened to cancel or otherwise terminate its relationship with the Company or any of its subsidiaries or its usage of the services of the Company or any of its subsidiaries, except cancellations and terminations that would not have a Company Material Adverse Effect; and (c) the Company and its subsidiaries have no direct or indirect ownership interest that is material to the Company and its subsidiaries taken as a whole in any customer of the Company or any of its subsidiaries.

ARTICLE 4

REPRESENTATIONS AND WARRANTIES
OF PARENT AND ACQUISITION

Except as publicly disclosed by Parent in the Parent SEC Reports and except as set forth on the Disclosure Schedule (it being agreed that disclosure of any item in such schedules shall be deemed disclosure with respect to any section of this Agreement to which the relevance of such item is apparent) previously delivered by Parent to the Company (the "Parent Disclosure Schedule"), Parent and Acquisition hereby represent and warrant to the Company as follows:

SECTION 4.1. Organization.

(a) Each of Parent and Acquisition is duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite corporate power and authority to own, lease and operate its properties and to carry on its businesses as now being conducted. Parent has heretofore delivered to the Company accurate and complete copies of the Certificate of Incorporation and Bylaws as currently in effect of Parent and Acquisition.

(b) Each of Parent and Acquisition is duly qualified or licensed and in good standing to do business in each jurisdiction in which the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification or licensing necessary, except in such jurisdictions where the failure to be so duly qualified or licensed and in good standing would not have a Parent Material Adverse Effect. The term "Parent Material Adverse Effect" means any changes or effects that, individually or in the aggregate, are materially adverse to the business, assets, long-term earning capacity or financial condition of Parent and its subsidiaries, taken as whole, other than any changes or effects arising out of (i) general economic conditions, (ii) conditions generally affecting industries in which Parent operates, (iii) the financial markets or (iv) the entering into or the public announcement or disclosure of this Agreement or the transactions contemplated hereby.

SECTION 4.2. Authority Relative to this Agreement. Each of Parent and Acquisition has all necessary corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by Parent and the consummation by Parent of the transactions contemplated hereby

have been duly and validly authorized by the boards of directors of Parent and Acquisition and by Parent as the sole stockholder of Acquisition and no other corporate proceedings on the part of Parent or Acquisition are necessary to authorize this Agreement or to consummate the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by each of Parent and Acquisition and, assuming due authorization, execution and delivery by the Company, constitutes a valid, legal and binding agreement of each of Parent and Acquisition enforceable against each of Parent and Acquisition in accordance with its terms.

SECTION 4.3. SEC Reports; Financial Statements.

(a) Parent has filed all required forms, reports and documents (" Parent SEC Reports") with the SEC since December 31, 1997, each of which has complied in all material respects with all applicable requirements of the Securities Act and the Exchange Act, each as in effect on the dates such forms reports and documents were filed. None of such Parent SEC Reports, including, without limitation, any financial statements or schedules included or incorporated by reference therein, contained when filed any untrue statement of a material fact or omitted to state a material fact required to be stated or incorporated by reference therein, or necessary, in order to make the statements therein in light of the circumstances under which they were made, not misleading. The audited consolidated financial statements of Parent included in the Parent SEC Reports have been prepared in accordance with generally accepted accounting principles applied on a consistent basis (except as may be indicated in the notes thereto) and fairly present in all material respects the consolidated financial position of Parent and its consolidated subsidiaries as of the dates thereof and their consolidated results of operations and changes in financial position for the periods then ended.

(b) Parent has heretofore made available or promptly will make available to the Company a complete and correct copy of any amendments or modifications which are required to be filed with the SEC but have not yet been filed with the SEC to agreements documents or other instruments which previously had been filed by Parent with the SEC pursuant to the Exchange Act.

SECTION 4.4. Information Supplied. None of the information supplied by Parent or Acquisition in writing for inclusion in the Proxy Statement or the Schedule 14D-9 will, at the respective times that the Proxy Statement and the Schedule 14D-9 or any amendments or supplements thereto are filed with the SEC and are first published or sent or given to holders of Shares, and in the case of the Proxy Statement, at the time that it or any amendment or supplement thereto is mailed to the Company's stockholders, at the time of the Stockholders' Meeting or at the Effective Time, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

SECTION 4.5. Consents and Approvals; No Violations. Except for filings, permits, authorizations, consents and approvals as may be required under and other applicable requirements of the Exchange Act, the HSR Act, foreign antitrust laws and the filing and recordation of the Merger Certificate as required by the DGCL, no filing with or notice to, and no permit authorization, consent or approval of, any Governmental Entity is necessary for the execution and delivery by Parent or Acquisition of this Agreement or the consummation by

Parent or Acquisition of the transactions contemplated hereby, except where the failure to obtain such permits, authorizations, consents or approvals or to make such filings or give such notice would not have a Parent Material Adverse Effect. Neither the execution, delivery and performance of this Agreement by Parent or Acquisition nor the consummation by Parent or Acquisition of the transactions contemplated hereby will (a) conflict with or result in any breach of any provision of the respective Certificate of Incorporation or Bylaws (or similar governing documents) of Parent or Acquisition or any of Parent's other subsidiaries, (b) result in a violation or breach of or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, amendment, cancellation or acceleration or Lien) under any of the terms conditions or provisions of any note, bond, mortgage, indenture, lease, license, contract, agreement or other instrument or obligation to which Parent or Acquisition or any of Parent's other subsidiaries is a party or by which any of them or any of their respective properties or assets may be bound or (c) violate any order, writ, injunction, decree, law, statute, rule or regulation applicable to Parent or Acquisition or any of Parent's other subsidiaries or any of their respective properties or assets except, in the case of (b) or (c), for violations breaches or defaults which would not have a Parent Material Adverse Effect.

SECTION 4.6. <u>Adequate Funds</u>. Parent has sufficient funds or firm commitment letters from nationally recognized lending institutions for, and will have at the Effective Time sufficient funds, for the payment of the aggregate Merger Consideration and to perform its obligations with respect to the transactions contemplated by this Agreement. Parent has provided the Company with accurate and complete copies of the commitment letters which it has obtained to provide funds for the transactions contemplated by this Agreement.

SECTION 4.7. <u>No Prior Activities</u>. Except for obligations incurred in connection with its incorporation or organization of the negotiation and consummation of this Agreement and the transactions contemplated hereby, Acquisition has neither incurred any obligation or liability nor engaged in any business or activity of any type or kind whatsoever or entered into any agreement or arrangement with any person.

ARTICLE 5

COVENANTS

SECTION 5.1. <u>Conduct of Business of the Company</u>. Except as contemplated by this Agreement or as described in Section 5.1 of the Company Disclosure Schedule, during the period from the date hereof to the Effective Time or earlier termination of this Agreement the Company will and will cause each of its subsidiaries to conduct its operations in the ordinary course of business consistent with past practice and seek to (i) preserve substantially intact its current business organizations, (ii) keep available the services of its current officers and employees and (iii) preserve its current relationships with customers, suppliers and others having significant business dealings with it. Without limiting the generality of the foregoing, except as otherwise expressly provided in this Agreement or as described in Section 5.1 of the Company Disclosure Schedule, prior to the Effective Time or earlier termination of this Agreement, neither the Company nor any of its subsidiaries will, without the prior written consent of Parent and Acquisition (which consent will not unreasonably be withheld):

(a) amend its Certificate of Incorporation or Bylaws (or other similar governing instrument);

(b) authorize for issuance, issue, sell, deliver or agree or commit to issue sell or deliver (whether through the issuance or granting of options, warrants, commitments, subscriptions, rights to purchase or otherwise) any shares of any class of capital stock or any other securities (except bank loans) or equity equivalents (including, without limitation, any stock options or stock appreciation rights) except for (i) the issuance and sale of Shares pursuant to options previously granted, (ii) the issuance and sale of Performance Based Restricted Stock pursuant to rights previously granted or (iii) the issuance and sale of securities by a subsidiary of the Company to any entity which is wholly owned by the Company;

(c) split, combine or reclassify any shares of its capital stock, declare, set aside or pay any dividend or other distribution (whether in cash, stock or property or any combination thereof) in respect of its capital stock, make any other actual, constructive or deemed distribution in respect of its capital stock or otherwise make any payments to stockholders in their capacity as such, or redeem or otherwise acquire any of its securities or any securities of any of its subsidiaries, except for the payment of dividends in respect of the Series B $2 Cumulative Preferred Stock and except for the payment of dividends or distributions by a wholly owned subsidiary of the Company to the Company or another wholly owned subsidiary of the Company;

(d) adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization of the Company or any of its subsidiaries (other than the Merger);

(e) alter through merger, liquidation, reorganization, restructuring or any other fashion the corporate structure of ownership of any subsidiary (other than as permitted by this Section 5.1);

(f) (i) incur or assume any long-term or short-term debt or issue any debt securities except for borrowings under existing lines of credit or in connection with existing commercial paper programs in the ordinary course of business; (ii) assume, guarantee, endorse or otherwise become liable or responsible (whether directly, contingently or otherwise) for the obligations of any other person except in the ordinary course of business consistent with past practice and except for obligations of subsidiaries of the Company incurred in the ordinary course of business; (iii) make any loans, advances or capital contributions to or investments in any other person (other than to subsidiaries of the Company or customary loans or advances to employees, in each case in the ordinary course of business consistent with past practice) (iv) pledge or otherwise encumber shares of capital stock of the Company or its subsidiaries except in connection with borrowings as permitted by this Section 4.1(f); or (v) mortgage or pledge any of its material assets, tangible or intangible, or create or suffer to exist any material Lien thereupon (other than currently existing Liens and Tax Liens for Taxes not yet due);

(g) except as may be contemplated by a contract or written plan now in effect or by applicable law, 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 as in effect as of the date hereof (including, without limitation, the granting of stock appreciation rights or performance units); provided, however, that this Section 5.1 shall not prevent the Company or its subsidiaries from (i) entering into employment agreements or severance agreements with new employees in the ordinary course of business and consistent with past practice; (ii) increasing the compensation and benefits of any employees who are not officers or directors of the Company in the ordinary course of business consistent with past practice; or (iii) paying bonuses for any period that ends on or before the Effective Time (including where relevant those based upon actual performance during such period) in the ordinary course of business consistent with past practice.

(h) other than in the ordinary course of business, 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 the Company or its subsidiaries);

(i) except as may be required as a result of a change in law or in generally accepted accounting principles, change any of the accounting principles or practices used by it (other than immaterial changes);

(j) revalue in any material respect any of its assets including without limitation writing down the value of inventory or writing-off notes or accounts receivable other than in the ordinary course of business or as required by generally accepted accounting principles;

(k) (i) acquire (by merger, consolidation or acquisition of stock or assets) any corporation, partnership or other business organization or division thereof or any equity interest therein (other than in connection with outsourcing agreements entered into with customers of the Company 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 the Company and its subsidiaries, taken as a whole; (iii) authorize any new (not within the Company's existing capital expenditure budget) 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 the Company's existing capital expenditures budget, a copy of which has been provided by the Company to Parent;

(l) make any material tax election or settle or compromise any income tax liability material to the Company and its subsidiaries taken as a whole (in each case, other than in the ordinary course of business consistent with past practice);

(m) settle or compromise any pending or threatened suit, action or claim which (i) relates to the transactions contemplated hereby or (ii) the settlement or compromise of which would have a Company Material Adverse Effect;

(n) commence any material research and/or development project or terminate any material research and/or development project that is currently ongoing, in either case except pursuant to the terms of existing contracts or except as contemplated by the Company's project development budget previously provided to Parent;

(o) amend the Company Rights Agreement in any manner that would permit any person other than Parent or its affiliates to acquire more than 15% of the Shares, or redeem the Company Rights; or

(p) take or agree in writing or otherwise to take any of the actions described in Sections 5.1(a) through 5.1(o).

SECTION 5.2. Conduct of Business of Parent. Except as contemplated by this Agreement, during the period from the date hereof to the Effective Time or earlier termination of this Agreement, neither Parent nor any of its subsidiaries, without the prior written consent of the Company (which consent will not unreasonably be withheld), shall

(a) acquire or agree to acquire, by merging or consolidating with, or by purchasing an equity interest in or the assets of or by any other manner, any business or corporation, partnership or other business organization or division thereof, or otherwise acquire or agree to acquire any assets of any other entity (other than the purchase of assets from suppliers, clients or vendors in the ordinary course of business and consistent with past practice) if such transaction would prevent or materially delay the consummation of the transactions contemplated by this Agreement;

(b) adopt or propose to adopt any amendments to its charter documents which would have a material adverse impact on the consummation of the transactions contemplated by this Agreement; or

(c) take or agree in writing or otherwise to take any of the actions described in Sections 5.2(a) or 5.2(b).

SECTION 5.3. Other Potential Acquirers.

(a) The Company, its subsidiaries and their respective officers, directors, employees, representatives and agents shall immediately cease any discussions or negotiations with any parties with respect to any Third Party Acquisition. Neither the Company nor any of its subsidiaries shall, nor shall the Company authorize or permit any of its or their respective officers, directors, employees, representatives or agents to, directly or indirectly, encourage, solicit, participate in or initiate discussions or negotiations with or provide any non-public information to any person or group (other than Parent and Acquisition or any designees of Parent and Acquisition) concerning any Third Party Acquisition; provided, however, that (i) nothing herein shall prevent the Company Board from taking and disclosing to the Company's stockholders a position contemplated by Rules 14d-9 and 14e-2 promulgated under the Exchange Act with regard to any tender offer; (ii) if the Company receives an unsolicited written proposal for a Third Party Acquisition from a Third Party, nothing herein shall prevent the Company or its representatives from making such inquiries or conducting such discussions as the Company Board, after consultation with and based upon the advice of, legal counsel, may deem necessary

to inform itself for the purpose of exercising its fiduciary duties, and (iii) if the Company receives an unsolicited written proposal for a Third Party Acquisition from a Third Party that the Company Board by a majority vote determines in its good faith judgment (after receiving the advice of a financial adviser of nationally recognized reputation) is reasonably likely to constitute a Superior Proposal, the Company and its representatives may conduct such additional discussions or provide such information as the Company Board shall determine, but only if, prior to such provision of information or additional discussion (A) such Third Party shall have entered into a confidentiality and standstill agreement substantially in the form of that certain Confidentiality Agreement entered into between the Company and Parent dated June 23, 2000 (and containing additional provisions that expressly permit the Company to comply with the provisions of this Section 5.3) and (B) the Company Board by a majority vote determines in its good faith judgment, after consultation with and based upon the advice of, legal counsel that it is required to do so in order to comply with its fiduciary duties. The Company shall promptly notify the Parent in the event it receives any proposal or inquiry concerning a Third Party Acquisition including the terms and conditions thereof and the identity of the party submitting such proposal; and the Company shall advise the Parent from time to time of the status and any material developments concerning the same.

(b) Except as set forth in this Section 5.3(b), the Company Board shall not withdraw, change or modify its recommendation of the transactions contemplated hereby or approve or recommend, or cause the Company to enter into any agreement with respect to, any Third Party Acquisition. Notwithstanding the foregoing, if the Company Board by a majority vote determines in its good faith judgment, after consultation with and based upon the advice of, legal counsel that it is required to do so in order to comply with its fiduciary duties, the Company Board may withdraw its recommendation of the transactions contemplated hereby or approve or recommend a Superior Proposal, but in each case only (i) after providing written notice to Parent (a "Notice of Superior Proposal") advising Parent that the Company Board has received a Superior Proposal, specifying the material terms and conditions of such Superior Proposal and identifying the person making such Superior Proposal and (ii) if Parent does not, within five business days of Parent's receipt of the Notice of Superior Proposal, make an offer which the Company Board by a majority vote determines in its good faith judgment (after receiving the advice of a financial adviser of nationally recognized reputation) to be as favorable to the Company's stockholders as such Superior Proposal; provided, however, the Company shall not be entitled to enter into any agreement with respect to a Superior Proposal (excluding a confidentiality agreement pursuant to Section 5.3(a)) unless and until this Agreement is terminated by its terms pursuant to Section 7.1 and the Company has paid all amounts due to Acquisition pursuant to Section 7.3. For the purposes of this Agreement, "Third Party Acquisition" means the occurrence of any of the following events: (i) the acquisition of the Company by merger or otherwise by any person (which includes a "person" as such term is defined in Section 13(d)(3) of the Exchange Act) other than Parent, Acquisition or any affiliate thereof (a "Third Party"); (ii) the acquisition by a Third Party of all or a major part of any of the Company's business segments, as identified in the Company's SEC Reports or more than 20% of the total assets of the Company and its subsidiaries taken as a whole; (iii) the acquisition by a Third Party of 20% or more of the outstanding Shares; (iv) the adoption by the Company of a plan of liquidation or the declaration or payment of an extraordinary dividend; (v) the repurchase by the Company or any of its subsidiaries of more than 20% of the outstanding Shares; or (vi) the acquisition by the Company or any subsidiary 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 or greater than 20% of the annual revenues, net income or assets of the Company. For purposes of this Agreement a "Superior Proposal " means any bona fide proposal to acquire directly or indirectly for consideration consisting of cash and/or securities more than 50% of the Shares then outstanding or all or substantially all the assets of the Company and otherwise on terms which the Company Board by a majority vote determines in its good faith judgment (after receiving the advice of a financial adviser of nationally recognized reputation) to be more favorable, from a financial point of view, to the Company's stockholders than the Merger.

SECTION 5.4. Meeting of Stockholders. The Company shall take all action necessary in accordance with the DGCL and its Certificate of Incorporation and Bylaws to duly call, give notice of, convene and hold a meeting of its stockholders (the "Stockholders' Meeting") as promptly as practicable (provided that Acquisition shall have purchased Shares pursuant to the Offer) to consider and vote upon the adoption and approval of this Agreement and the transactions contemplated hereby. At the Stockholders' Meeting, Parent, Acquisition and their subsidiaries will vote all Shares and all Preferred Shares owned by them in favor of approval and adoption of this Agreement. The stockholder votes required for the adoption and approval of the transactions contemplated by this Agreement shall be the vote required by the DGCL and the Company's Certificate of Incorporation and Bylaws. The Company will, through its Board of Directors, recommend to its stockholders approval of such matters as described in Section 1.2(a); provided, however, that subject to the provisions of Section 7.3, the Company Board may withdraw, modify or amend its recommendation if (i) the Company receives a Superior Proposal and (ii) after complying with the provisions of Section 5.3(b) the Company Board by a majority vote determines in its good faith judgment after consultation with and based upon the advice of legal counsel that it is required in order to comply with its fiduciary duties to recommend the Superior Proposal. The Company will use all reasonable efforts (i) to obtain and furnish the information required to be included by it in the Proxy Statement and, after consultation with Parent and Acquisition, respond promptly to any comments made by the SEC with respect to the Proxy Statement and any preliminary version thereof and cause the Proxy Statement to be mailed to its stockholders at the earliest practicable time following the expiration or termination of the Offer and (ii) to obtain the necessary approvals by its stockholders of this Agreement.

SECTION 5.5. Access to Information.

(a) Between the date hereof and the Effective Time, the Company will give Parent and its authorized representatives reasonable access during normal business hours to all employees, plants, offices, warehouses and other facilities and to all books and records of itself and its subsidiaries, will permit the Parent to make such inspections as the Parent may reasonably require and will cause its officers and those of its subsidiaries to furnish the Parent with such financial and operating data and other information with respect to the business and properties of the Company and its subsidiaries as Parent may from time to time reasonably request.

(b) Between the date hereof and the Effective Time, the Company shall furnish to Parent within 25 business days after the end of each fiscal quarter (commencing with the first fiscal quarter ending after the date hereof) an unaudited balance sheet of the Company as of the end of the such fiscal quarter and the related statements of earnings, stockholders' equity (deficit)

and cash flows for the quarter then ended, each prepared in conformity with the accounting practices consistently applied by the Company with respect to its quarterly financial statements.

(c) Notwithstanding the foregoing, the Company shall not be required to provide any information which it reasonably believes it may not provide by reason of any applicable law, rules or regulations, which constitutes information protected by attorney/client privilege, or which it or any of its subsidiaries is required to keep confidential by reason of contract, agreement or understanding with third parties.

(d) Each of the parties hereto will hold and will cause its consultants and advisers to hold in confidence all documents and information furnished to it in connection with the transactions contemplated by this Agreement pursuant to the terms of that certain Confidentiality Agreement entered into between the Company and Parent dated June 23, 2000 and each of the parties shall comply with all agreements, covenants, and restrictions contained therein.

SECTION 5.6. Additional Agreements; Reasonable Efforts.

(a) Subject to the terms and conditions herein, Company, Parent and Acquisition each agrees to use all reasonable 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 transactions contemplated by this Agreement and to reasonably cooperate with the other in connection with the foregoing, including using all reasonable efforts (i) to obtain all necessary waivers, consents and approvals from other parties to material loan agreements, leases and other contracts, (ii) to obtain all consents, approvals and authorizations that are required to be obtained under any federal, state, local or foreign law or regulation, (iii) to lift or rescind any injunction or restraining order or other order adversely affecting the ability of the parties hereto to consummate the transactions contemplated hereby, (iv) 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, without limitation, the Antitrust Division of the United States Department of Justice, the Federal Trade Commission, any State Attorney General, or the European Commission ("Governmental Antitrust Authority"), and (v) to fulfill all conditions to this Agreement. Company, Parent and Acquisition further covenant and agree, with respect to 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 hereto to consummate the transactions contemplated hereby, to use all reasonable efforts to prevent the entry, enactment or promulgation thereof, as the case may be.

(b) In furtherance and not in limitation of the foregoing, the Company, Parent and Acquisition shall use their respective best efforts to resolve such objections, if any, as may be asserted with respect to the transactions contemplated hereby under any antitrust, competition or trade regulatory laws of any domestic or foreign government or governmental authority or any multinational authority, or any regulations issued thereunder ("Antitrust Laws"). Without limiting the generality of the foregoing, the Company, Parent and Acquisition shall (i) use their respective 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 transactions contemplated hereby, including, without limitation, defending through litigation on

the merits and through any available appeals any claim asserted in any court by any party, and (ii) 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 transactions contemplated hereby so as to enable the consummation of such transactions to occur reasonably expeditiously. The steps described in clause (ii) of the preceding sentence shall include, without limitation, proposing, negotiating, committing to and effecting (by consent decree, hold separate order or otherwise) the sale, divestiture or disposition of such assets or businesses of Parent or its subsidiaries, the Company 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 Parent or its affiliates, the Company 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 transactions contemplated hereby. Notwithstanding anything to the contrary contained in this Agreement, neither Parent nor Acquisition shall be required to take any action pursuant to Sections 5.6(a) or (b) if the taking of such action would have a material adverse effect on the business, assets, long-term earning capacity or financial condition of Parent and the Company (and their subsidiaries), taken as a whole.

(c) The Company, Parent and Acquisition shall keep the other party apprised of the status of matters relating to the completion of the transactions contemplated hereby and shall reasonably cooperate in connection with obtaining the requisite approvals, consents or orders of any Governmental Antitrust Authority, including, without limitation: (i) cooperating with the other party in connection with filings under the HSR Act or any other Antitrust Laws, including, with respect to the party making a filing, (A) providing copies of all such documents to the non-filing party and its advisers prior to filing (other than documents containing confidential business information that shall be shared only with outside counsel to the non-filing party), and (B) if requested, to accept all reasonable additions, deletions or changes suggested in connection with any such filing; (ii) 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 transactions contemplated by this Agreement; (iii) promptly notifying the other of, and if in writing furnishing the other with copies of, any communications from or with any Governmental Antitrust Authority with respect to the transactions contemplated by this Agreement; (iv) permitting the other party to review in advance and considering in good faith the views of one another 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; (v) 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 party in advance, and, to the extent permitted by such Governmental Antitrust Authority, gives the other party the opportunity to attend and participate thereat; and (vi) consulting and cooperating with one another 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 either party or any affiliate thereof receives a request for additional information or documentary material from any such Governmental Antitrust Authority with respect to the transactions contemplated hereby, then 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. Parent and Acquisition will advise the Company promptly in respect of any understandings, undertakings or agreements (oral or written) which Parent and Acquisition propose to make or enter into with any Governmental Antitrust Authority in connection with the transactions contemplated hereby.

SECTION 5.7. Indemnification.

(a) After the Effective Time, Parent and the Surviving Corporation shall jointly and severally indemnify and hold harmless (and shall also advance expenses as incurred to the fullest extent permitted under applicable law to) each person who is now or has been prior to the date hereof or who becomes prior to the Effective Time an officer or director of the Company or any of the Company's subsidiaries (the "Indemnified Persons") against (i) all losses, claims, damages, costs, expenses (including, without limitation, counsel fees and 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 the Company or any of its subsidiaries whether or not pertaining to any matter existing or occurring at or prior to the Effective Time and whether or not asserted or claimed prior to or at or after the Effective Time ("Indemnified Liabilities") and (ii) all Indemnified Liabilities based in whole or in part on or arising in whole or in part out of or pertaining to this Agreement or the transactions contemplated hereby, in each case to the fullest extent required or permitted under applicable law or under the Surviving Corporation's Certificate of Incorporation or Bylaws, it being agreed that the provisions thereof relating to indemnification and exoneration from liability shall be at least as favorable to the Indemnified Persons as the current provisions of the Company's Certificate of Incorporation and Bylaws. The parties hereto intend, to the extent not prohibited by applicable law, that the indemnification provided for in this Section 5.7 shall apply without limitation to negligent acts or omissions by an Indemnified Person. Each Indemnified Person is intended to be a third party beneficiary of this Section 5.7 and may specifically enforce its terms. This Section 5.7 shall not limit or otherwise adversely affect any rights any Indemnified Person may have under any agreement with the Company or under the Company's Certificate of Incorporation or Bylaws.

(b) For six years after the Effective Time, the Surviving Corporation shall provide directors' and officers' liability insurance in respect of acts or omissions occurring prior to the Effective Time covering each such Indemnified Person covered as of the date hereof or hereafter by the Company's directors' and officers' liability insurance policy on terms with respect to coverage and amounts no less favorable than those of such policy in effect on the date hereof; provided, that if the aggregate annual premiums for such insurance at any time during such period shall exceed 300% of the per annum rate of premium paid by the Company as of the date hereof for such insurance, then the Surviving Corporation shall provide only such coverage as shall then be available at an annual premium equal to 300% of such current rate.

SECTION 5.8. Public Announcements. Parent, Acquisition and the Company, as the case may be, will consult with one another before issuing any press release or otherwise making any public statements with respect to the transactions contemplated by this Agreement, including, without limitation, the Merger, and shall not issue any such press release or make any

such public statement prior to such consultation except as may be required by applicable law or by obligations pursuant to any listing agreement with the NYSE.

SECTION 5.9. Employee Matters.

(a) From and after the Effective Time, Parent shall assume and honor, and shall cause the Company to honor, all Employee Plans and all Employment Agreements in accordance with their terms as in effect immediately before the Effective Time, subject to any amendment or termination thereof that may be permitted by such terms. It is acknowledged and agreed that the consummation of the Offer will constitute a "change of control" for purposes of those Employee Plans and Employment Agreements containing "change of control" provisions.

(b) For a period of not less than two years following the Effective Time, Parent shall provide, or shall cause to be provided, to current and former employees of the Company and its subsidiaries (the "Company Employees") compensation and employee benefits that are, in the aggregate, not less favorable than those provided to Company Employees immediately before the Effective Time. The foregoing shall not be construed to prevent (i) the amendment or termination of any particular Employee Plan or Employment Agreement to the extent permitted by, and in accordance with, its terms as in effect immediately before the Effective Time, or (ii) the termination of employment or the reduction of, or other change in, the compensation or employee benefits of any individual Company Employee.

(c) For all purposes under the employee benefit plans of Parent and its subsidiaries providing benefits to any Company Employees after the Effective Time (the "New Plans"), each Company Employee shall be credited with all years of service for which such Company Employee was credited before the Effective Time under any similar Company Employee Plans, except to the extent such credit would result in a duplication of benefits. In addition, and without limiting the generality of the foregoing: (i) each Company Employee shall be immediately eligible to participate, without any waiting time, in any and all New Plans to the extent coverage under such New Plan replaces coverage under a comparable Company Employee Plan in which such Company Employee participated immediately before the Effective Time (such plans, collectively, the "Old Plans"); and (ii) for purposes of each New Plan providing medical, dental, pharmaceutical and/or vision benefits to any Company Employee, Parent shall cause all pre-existing condition exclusions and actively-at-work requirements of such New Plan to be waived for such employee and his or her covered dependents, and Parent shall cause any eligible expenses incurred by such employee and his or her covered dependents during the portion of the plan year of the Old Plan ending on the date such employee's participation in the corresponding New Plan begins to be taken into account under such New Plan for purposes of satisfying all deductible, coinsurance and maximum out-of-pocket requirements applicable to such employee and his or her covered dependents for the applicable plan year as if such amounts had been paid in accordance with such New Plan.

(d) Without limiting the generality of the foregoing, from and after the Effective Time, Parent shall assume and honor, and shall cause the Surviving Corporation to honor, the obligations of the Company to provide lifetime benefits under the Company's Supplemental Medical Insurance Plan to the individuals listed on Schedule 5.9(d). In addition, Parent agrees not to demand, and to cause the Surviving Corporation not to demand, repayment of the loans

currently outstanding under the Company's Incentive Loan Program before December 31, 2001. Finally, Parent shall continue, or shall cause the Company to continue, the executive life insurance policies listed in Section 5.9(d) of the Company Disclosure Schedule in effect for the remaining lifetime of the retired executives covered thereby, on the terms and conditions now in effect.

(e) On or before January 31, 2001, Company shall cause Parent to be provided with:

(i) except to the extent already listed on Schedule 3.11(a) of the Company Disclosure Schedule a list of all employee benefit plans (as defined in Section(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) and all bonus, stock option, stock purchase, incentive, deferred compensation, supplemental retirement, severance and other similar fringe or employee benefit plans, programs or arrangements maintained or contributed to by the Company or any of its subsidiaries for the benefit of or relating to any employee of the Company, or any of its subsidiaries, excluding plans, programs, agreements and arrangements under which the Company has no remaining obligations, payroll practices, and any plans, programs, agreements and arrangements that are required to be maintained by the Company or any of its subsidiaries under the laws of any foreign jurisdiction;

(ii) a copy of the documents and instruments governing each such plan and the most recent Form 5500 filed with the Internal Revenue Service except to the extent already provided;

(iii) except to the extent already listed in Schedule 3.11(b) of the Company Disclosure Schedule, (A) all employment agreements with officers of the Company; and (B) all agreements with consultants who are individuals obligating the Company to make annual cash payments in an amount exceeding $30,000. The Company shall make available to Parent copies (or descriptions in detail reasonably satisfactory to Parent) of all such agreements, plans, programs and other arrangements; and

(iv) except to the extent already listed in Section 3.11(d) of the Company Disclosure Schedule, a list of any Employee Plan that is a welfare plan within the meaning of Section 3(1) of ERISA providing benefits to former employees of the Company or its ERISA Affiliates other than pursuant to Section 4980B of the Code.

ARTICLE 6

CONDITIONS TO CONSUMMATION OF THE MERGER

SECTION 6.1. <u>Conditions to Each Party's Obligations to Effect the Merger.</u> The respective obligations of each party hereto to effect the Merger are subject to the satisfaction at or prior to the Effective Time of the following conditions:

(a) this Agreement shall have been approved and adopted, if required, by the requisite vote of the stockholders of the Company;

(b) no statute, rule, regulation, executive, order, decree, ruling or injunction shall have been enacted, entered, promulgated or enforced by any United States court or United States

or European Union Governmental Entity which prohibits, restrains or enjoins the consummation of the Merger;

(c) any waiting period applicable to the Merger under the HSR Act shall have terminated or expired and to the extent required, the Commission of the European Union shall have approved the Merger under Regulation (EEC) No. 4064/89 of the Council of the European Union, or such approval shall have been deemed to have been granted; and

(d) Acquisition shall have purchased Shares pursuant to the Offer.

ARTICLE 7

TERMINATION; AMENDMENT; WAIVER

SECTION 7.1. Termination. This Agreement may be terminated and the Merger may be abandoned at any time prior to the purchase of Shares pursuant to the Offer:

(a) by mutual written consent of Parent, Acquisition and the Company;

(b) by Parent and Acquisition or the Company if (i) any court of competent jurisdiction in the United States or other United States or European Union Governmental Entity shall have issued a final order, decree or ruling or taken any other final action restraining, enjoining or otherwise prohibiting the Offer or the Merger and such order, decree, ruling or other action is or shall have become final and nonappealable or (ii) the purchase of the Shares pursuant to the Offer has not been consummated by September 15, 2001; provided that no party may terminate this Agreement pursuant to this clause (ii) if such party's failure to fulfill any of its obligations under this Agreement shall have been the reason that the purchase of Shares pursuant to the Offer shall not have occurred on or before said date;

(c) by the Company if (i) there shall have been a breach of any representation or warranty on the part of Parent or Acquisition set forth in this Agreement or if any representation or warranty of Parent or Acquisition shall have become untrue or (ii) there shall have been a breach by Parent or Acquisition of any of their respective covenants or agreements hereunder, where such breaches under clauses (i) or (ii) would have a Parent Material Adverse Effect or materially adversely affecting (or materially delaying) the consummation of the Offer or the Merger, and Parent or Acquisition, as the case may be, has not cured such breach within twenty business days after notice by the Company thereof; provided that the Company has not breached any of its obligations hereunder; or

(d) by Parent and Acquisition if (i) there shall have been a breach of any representation or warranty on the part of the Company set forth in this Agreement or if any representation or warranty of the Company shall have become untrue in either case such that the condition set forth in paragraph (e) of Annex A would be incapable of being satisfied by September 15, 2001, (ii) there shall have been a breach or breaches by the Company of its covenants or agreements hereunder that would have a Company Material Adverse Effect or would materially adversely affect (or materially delay) the consummation of the Offer or the Merger, and the Company has not cured such breach within twenty business days after notice by Parent or Acquisition thereof provided that neither Parent nor Acquisition has breached any of

their respective obligations hereunder, (iii) the Company Board shall have entered into, or recommended to the Company's stockholders, a Superior Proposal, (iv) the Company Board shall have withdrawn, modified or changed its approval or recommendation of this Agreement or the Offer or the Merger or shall have adopted any resolution to effect any of the foregoing or (v) a Third Party Acquisition shall have occurred after the date hereof, provided that for purposes of Article 7, the Third Party Acquisition described in clause (iii) of the definition of such term shall be deemed to occur only upon the acquisition by a Third Party of 50% or more of the outstanding Shares.

(e) by the Company if the Company receives a Superior Proposal and resolves to accept such Superior Proposal, but only if (i) the Company has acted in accordance with, and has otherwise complied with the terms of, Section 5.3 hereof, including the notice provisions therein, and (ii) the Company has paid all amounts due to Acquisition pursuant to Section 7.3.

SECTION 7.2. Effect of Termination. In the event of the termination and abandonment of this Agreement pursuant to Section 7.1, this Agreement shall forthwith become void and have no effect without any liability on the part of any party hereto or its affiliates, directors, officers or stockholders other than the provisions of this Section 7.2 and Sections 5.5(d) and 7.3 hereof. Nothing contained in this Section 7.2 shall relieve any party from liability for any breach of its covenants, agreements or obligations set forth in this Agreement.

SECTION 7.3. Fees and Expenses.

(a) In the event that this Agreement shall be terminated pursuant to:

(i) Sections 7.1(d)(iii), (iv), (v) or 7.1(e);

(ii) Section 7.1(d)(ii) and within twelve months thereafter the Company enters into an agreement with respect to a Third Party Acquisition or a Third Party Acquisition occurs involving any party (or any affiliate thereof) (x) with whom the Company (or its agents) had negotiations with a view to a Third Party Acquisition, (y) to whom the Company (or its agents) furnished information with a view to a Third Party Acquisition or (z) who had submitted a proposal for a Third Party Acquisition, in the case of each of clauses (x), (y) and (z), after the date hereof and prior to such termination; or

(iii) Section 7.1(b)(ii) at a time when (i) the Minimum Condition is not satisfied, (ii) there shall be outstanding a publicly announced offer by a Third Party to consummate a Third Party Acquisition, and (iii) no other condition to the Offer is unsatisfied, and within twelve months thereafter the Company 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;

Parent and Acquisition would suffer direct and substantial damages, which damages cannot be determined with reasonable certainty. To compensate Parent and Acquisition for such damages the Company shall pay to Parent the amount of $110,000,000 as liquidated damages within three business days following (x) a termination referred to in Section 7.3(a)(i) (except as provided in Section 7.1(e), which payment shall be made simultaneously with such termination), or (y) the entering into of the agreement for a Third Party Acquisition or the occurrence of the Third Party

Acquisition which triggers the obligation to make the payment pursuant to Section 7.3(a)(ii) or (iii). In no event shall the Company be obligated to make more than one payment referred to in this Section 7.3(a). It is specifically agreed that the amount to be paid pursuant to this Section 7.3(a) represents liquidated damages and not a penalty.

(b) Except as specifically provided in this Section 7.3, each party shall bear its own expenses in connection with this Agreement and the transactions contemplated hereby.

SECTION 7.4. Amendment. This Agreement may be amended by action taken by the Company, Parent and Acquisition at any time before or after approval of the Merger by the stockholders of the Company but, after any such approval, no amendment shall be made which requires the approval of such stockholders under applicable law without such approval. This Agreement (including the Company Disclosure Schedule) may be amended only by an instrument in writing signed on behalf of the parties hereto.

SECTION 7.5. Extension; Waiver. At any time prior to the Effective Time, each party hereto may (i) extend the time for the performance of any of the obligations or other acts of the other party, (ii) waive any inaccuracies in the representations and warranties of the other party contained herein or in any document certificate or writing delivered pursuant hereto or (iii) waive compliance by the other party with any of the agreements or conditions contained herein. Any agreement on the part of any party hereto to any such extension or waiver shall be valid only if set forth in an instrument, in writing, signed on behalf of such party. The failure of any party hereto to assert any of its rights hereunder shall not constitute a waiver of such rights.

ARTICLE 8

MISCELLANEOUS

SECTION 8.1. Nonsurvival of Representations and Warranties. The representations and warranties made herein shall not survive beyond the Effective Time or a termination of this Agreement. This Section 8.1 shall not limit any covenant or agreement of the parties hereto which by its terms requires performance after the Effective Time.

SECTION 8.2. Entire Agreement; Assignment. (a) This Agreement (including the Company Disclosure Schedule) and the Confidentiality Agreement referred to in Section 5.5(b) constitute the entire agreement between the parties hereto with respect to the subject matter hereof and supersede all other prior and contemporaneous agreements and understandings both written and oral between the parties with respect to the subject matter hereof and (b) this Agreement shall not be assigned by operation of law or otherwise; provided, however, that Acquisition may assign any or all of its rights and obligations under this Agreement to any subsidiary of Parent, but no such assignment shall relieve Acquisition of its obligations hereunder if such assignee does not perform such obligations.

SECTION 8.3. Validity. If any provision of this Agreement or the application thereof to any person or circumstance is held invalid or unenforceable the remainder of this Agreement and the application of such provision to other persons or circumstances shall not be affected thereby and to such end the provisions of this Agreement are agreed to be severable.

SECTION 8.4. Notices. All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be given (and shall be deemed to have been duly given upon receipt) by delivery in person, by facsimile or by registered or certified mail (postage prepaid, return receipt requested) to each other party as follows:

if to Parent or Acquisition:	NORTHROP GRUMMAN CORPORATION 1840 Century Park East Los Angeles, California 90067 Telecopier: (310) 556-4558 Attention: W. Burks Terry
with a copy to:	Gibson Dunn & Crutcher LLP 333 South Grand Avenue Los Angeles CA 90071 Telecopier: (213) 229-6159 Attention: Andrew E. Bogen, Esq.
if to the Company to:	LITTON INDUSTRIES, INC. 21240 Burbank Boulevard Woodland Hills, California 91367 Telecopier: (818) 598-2025 Attention: John E. Preston
with a copy to:	Wachtell, Lipton, Rosen & Katz 51 West 52nd Street New York, New York 10019 Telecopier: (212) 403-2000 Attention: Daniel A. Neff, Esq.

or to such other address or facsimile as the person to whom notice is given may hereinafter furnish to the others in writing in the manner set forth above.

SECTION 8.5. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without regard to the principles of conflicts of law thereof.

SECTION 8.6. Descriptive Headings. The descriptive headings herein are inserted for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Agreement.

SECTION 8.7. Parties in Interest. This Agreement shall be binding upon and inure solely to the benefit of each party hereto and its successors and permitted assigns and, except as provided in Sections 5.7, 5.9(d) and 8.2, nothing in this Agreement express or implied is intended to or shall confer upon any other person any rights, benefits or remedies of any nature whatsoever under or by reason of this Agreement.

SECTION 8.8. Certain Definitions. For the purposes of this Agreement the term:

(a) "affiliate" means a person that, directly or indirectly, through one or more intermediaries controls, is controlled by or is under common control with the first-mentioned person, provided, that Unitrin, Inc. and its subsidiaries shall not be considered affiliates of the Company for any purpose under this Agreement;

(b) "business day" means any day other than a day on which the New York Stock Exchange is closed;

(c) "capital stock" means common stock, preferred stock, partnership interests, limited liability company interests or other ownership interests entitling the holder thereof to vote with respect to matters involving the issuer thereof;

(d) "Code" means the Internal Revenue Code of 1986, as amended;

(e) "knowledge" or "known" means, with respect to any matter in question, the actual knowledge of an executive officer of the Company or Parent, as the case may be;

(f) "person" means an individual, corporation, partnership, limited liability company, association, trust, unincorporated organization or other legal entity; and

(g) "subsidiary" or "subsidiaries" of the Company, Parent, the Surviving Corporation or any other person means any corporation, partnership, limited liability company, association, trust, unincorporated association or other legal entity of which the Company, Parent, the Surviving Corporation or any such other person, as the case may be, (either alone or through or together with any other subsidiary) owns, directly or indirectly, 50% or more of the capital stock the holders of which are generally entitled to vote for the election of the board of directors or other governing body of such corporation or other legal entity.

SECTION 8.9. Personal Liability. This Agreement shall not create or be deemed to create or permit any personal liability or obligation on the part of any direct or indirect stockholder of the Company or Parent or any officer, director, employee, agent, representative or investor of any party hereto.

SECTION 8.10. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which shall constitute one and the same agreement.

IN WITNESS WHEREOF, each of the parties has caused this Agreement and Plan of Merger to be duly executed on its behalf as of the day and year first above written.

NORTHROP GRUMMAN CORPORATION

By:________________________________
Name:______________________________
Title:_____________________________

LITTON INDUSTRIES, INC.

By:________________________________
Name:______________________________
Title:_____________________________

LII ACQUISITION CORP.

By:________________________________
Name:______________________________
Title:_____________________________

ANNEX A

CONDITIONS OF THE OFFER

THE CAPITALIZED TERMS USED HEREIN HAVE THE MEANINGS SET FORTH IN THE AGREEMENT AND PLAN OF MERGER TO WHICH THIS ANNEX A IS ATTACHED

Notwithstanding any other provisions of the Offer (subject to the terms and conditions of the Merger Agreement and any applicable rules and regulations of the SEC, including Rules 14e-1(c) under the Exchange Act), Acquisition shall not be required to accept for payment or pay for, and may delay the acceptance for payment of, any Shares, if (i) 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, (ii) the Minimum Condition is not satisfied or (iii) at any time on or after the date hereof and prior to the acceptance for payment of Shares, 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 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 (1) making the acceptance for payment of, or the payment for, some or all of the Shares illegal or otherwise prohibiting consummation of the Offer, (2) imposing limitations on the ability of Acquisition or Parent to acquire or hold or to exercise effectively all rights of ownership of the Shares, or effectively to control the business, assets or operations of Parent, the Company 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 Parent, the Company and their subsidiaries, taken as a whole.

(b) a Company Material Adverse Effect shall have occurred and continued to exist; or

(c) there shall have occurred and continued to exist (i) any general suspension of trading in, or limitation on prices for, securities on the New York Stock Exchange (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 the date of the Merger Agreement 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 Merger Agreement shall have been terminated in accordance with its terms; or

(e) (i) the representations of the Company contained in the 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) the Company shall have failed to comply with its covenants and agreements contained in the Merger Agreement in all material respects;

(f) prior to the purchase of Shares pursuant to the Offer, the Company Board shall have withdrawn or modified (including by amendment of the Schedule 14D-9) in a manner adverse to Acquisition its approval or recommendation of the Offer, this Agreement or the Merger or shall have recommended another offer, or shall have adopted any resolution to effect any of the foregoing.

EXHIBIT 99.(d)(2)

[LETTERHEAD]

Litton

- ---

Corporate

Litton Industries, Inc.
21240 Burbank Boulevard
Woodland Hills, California
91367-5575

Tel 818-598-5955
Fax 818-598-3313
brownm@littoncorp.com

Michael R. Brown
Chairman and
Chief Executive Officer

June 23, 2000

Mr. Kent Kresa
Chairman, President and CEO
Northrop Grumman Corporation
1840 Century Park East
Los Angeles, CA 90067

CONFIDENTIALITY AGREEMENT

Dear Mr. Kresa:

Each of our corporations (each, a `Party") Is engaged in the development, manufacture and sale of various products, services and systems. In connection with our possible mutual interest In exploring a transaction (a "Transaction") Involving some form of teaming arrangement, Joint endeavor or other combination, we have agreed to exchange certain Information about our respective businesses (the "Businesses) that is necessary or useful in evaluating the advisability of consummating a Transaction.

All such information (whether written or oral) that either Party (the "Disclosing Party") furnishes (whether before or after the date hereof) to the other (the "Receiving Party"), all copies thereof and all analyses, compilations, forecasts, studies or other documents prepared by the Receiving Party in connection with its or their review of, or its interest in, a Transaction that contain or reflect any such information are hereinafter referred to as the "Information." The term Information will not, however, Include information that (i) is or becomes publicly available other than as a result of a disclosure by the Receiving Party, (ii) is or becomes available to the Receiving Party on a non-confidential basis from a source (other than the Disclosing Party or its directors, officers, or employees) that is not prohibited from disclosing such information to the Receiving Party by a legal, contractual or fiduciary obligation to the Disclosing Party, or (iii) is already in the Receiving Party's possession or known by the Receiving Party prior to the above date, provided such Information is not known by the Receiving Party to be subject to another confidentiality agreement with or other obligation of secrecy to the Disclosing Party or another party. It is the intent of the Parties that, absent further agreement on this subject, the Information to be provided in accordance with the terms of this Agreement

shall be disclosed only to a limited group of each Parties' directors, officers and senior employees and shall not be disclosed to any outside accountants, attorneys or other advisors or representatives. Each party shall notify the other of the identity of those persons included in the limited group for such disclosures.

By signing this letter, each Party agrees that:

1. The Receiving Party (i) will keep the Information confidential and will not (except as required by applicable law, regulation or legal process, and only after compliance with paragraph 3 below), without the prior written consent of the Disclosing Party, disclose any Information in any manner whatsoever, and (ii) will not use any Information other than in connection with its consideration, evaluation, negotiation or consummation of a Transaction.

2. Each Party agrees not to disclose (except as required by applicable law, regulation or legal process, and only after compliance with paragraph 3 below), without the prior written consent of the other Party to any person the fact that the Information exists or has been made available, that a Transaction is being considered or that discussions or negotiations are taking or have taken place concerning a Transaction. If either Party is requested (whether by the press, by any stock exchange or otherwise) to confirm, deny or otherwise comment on the pendency of a Transaction which is subject to the terms of this Agreement, the Parties agree that their responses with respect to such Transaction will be limited to a statement that it is the company's policy not to comment on merger and acquisition matters; provided, however, that if either Party is advised by legal counsel that such a response will not satisfy any applicable disclosure obligation, it will promptly advise the other Party and the Parties will work in good faith to coordinate a response to such disclosure obligation.

3. In the event that a Party is requested pursuant to, or required by, applicable law, regulation or legal process to disclose any of the Information, it will promptly so notify the other Party so that a protective order or other appropriate remedy may be sought by the other Party. In the event that no such protective order or other remedy is obtained, or that the other Party waives compliance with the terms of this Confidentiality Agreement, such Party will furnish only that portion of the Information that it is advised by legal counsel is legally required and will exercise all reasonable efforts to obtain reliable assurance that confidential treatment will be accorded the Information.

4. If either Party decides not to proceed with a Transaction, it will promptly inform the other Party of that decision and both Parties will either destroy all written Information or return it to the Disclosing Party; provided however, that the both parties

shall be entitled to retain one copy of any such information in their respective legal departments for the sole purpose of evaluating any claim of non-compliance with this agreement. Any oral Information will continue to be subject to the terms of this Confidentiality Agreement.

5. Each Party acknowledges that neither the other Party, nor any of its officers, directors, employees, representatives, agents or controlling persons within the meaning of Section 20 of the Securities Exchange Act of 1934 as amended ("Affiliates") make any express or implied representation or warranty as to the accuracy or completeness of the Information, and each Party agrees that no such person will have any liability relating to the Information or for any errors therein or omissions therefrom. Each Party further agrees that it is not entitled to rely on the accuracy or completeness of the Information and that it will be entitled to rely solely on such representations and warranties as may be included in any definitive agreement with respect to the Transaction, subject to such limitations and restrictions as may be contained therein.

6. Each Party will advise its officers, directors and employees who are informed of the matters that are the subject of this Confidentiality Agreement of the restrictions imposed by the United States securities laws on the purchase or sale of securities by any person who has received material, non-public Information from the issuer of such securities and on the communication of such information to any other person when it is reasonably foreseeable that such other person is likely to purchase or sell such securities in reliance upon such Information.

7. Each Party will designate in writing a point of contact for all (i) communications regarding a Transaction, (ii) requests for additional Information, facility tours or management meetings, and (iii) discussions or questions regarding procedures with respect to evaluation or negotiation of a Transaction. Except for contacts specifically authorized in accordance with the preceding sentence, each party agrees not to have any other contacts with the other Party, or any of its officers, directors, employees or agents concerning the consideration, evaluation, negotiation or consummation of a Transaction.

8. Unless and until a written definitive agreement that provides for a Transaction has been executed, neither Party nor any Affiliate of a Party will have any liability to the other Party with respect to a Transaction, whether by virtue of this Confidentiality Agreement or any other written or oral expression with respect to a Transaction or otherwise. Without limiting the generality of the foregoing, the Parties acknowledge that, prior to the execution of such a written definitive agreement providing for a

Transaction, each of them may freely investigate, negotiate, commit to, and take any other actions which they may in their sole discretion determine, with respect to any type of business arrangement or transaction, regardless of whether such actions or arrangements would be inconsistent with, or render impractical, a Transaction between the Parties hereto and that either Party may at any time terminate discussion of a Transaction with the other Party.

9. Each Party acknowledges that remedies at law are inadequate to protect the Disclosing Party against any actual or threatened breach of this Confidentiality Agreement by the Receiving Party and, without prejudice to any other rights and remedies otherwise available to the Disclosing Party, the Receiving Party agrees to the granting of injunctive relief in favor of the Disclosing Party without proof of actual damages. In the event of litigation relating to this Confidentiality Agreement, the prevailing Party will be entitled to recover from the other Party its costs and expenses (including, without limitation, reasonable legal fees and expenses) incurred in connection with all such litigation.

10. Each Party agrees that no failure or delay by the other Party in exercising any right, power, or privilege hereunder will operate as a waiver thereof, nor will any single or partial exercise thereof preclude any other or further exercise thereof of the exercise of any right, power or privilege hereunder.

11. In consideration of each Party providing the Information to the other, without the other Party's prior written consent, for a period of two years from the date hereof neither Party will solicit for employment any of the directors, officers or employees of the other Party with whom they have had dealings under the terms of this Agreement; provided, however, that each Party shall have the right to hire any of the directors, officers or employees of the other Party who may approach such Party on their own Initiative or in response to a newspaper advertizement or similar general solicitation.

12. For a period of two (2) years from the date of this letter agreement, unless specifically consented to in advance at the direction of the other Party, neither Party shall, directly or indirectly: (i) in any manner acquire or offer to acquire, or agree to acquire, directly or indirectly more than one percent (1%) of any securities of the other Party or any of its subsidiaries or any direct or indirect rights, options or interests with respect to any securities or material assets of the other Party or any of its subsidiaries (provided, however, that this subsection (I) shall not limit the exercise of fiduciary duties with respect to either Parties' pension and employee savings plans by the investment managers of such plans over whom the Parties' management exercises no discretion and with whom the Parties' management has had, and will have, no communications

Whatsoever with respect to the subject matter of this Confidentiality Agreement); (ii) solicit proxies or consents or become a "participant" in a "solicitation" (as such terms are defined in Regulation 14A under the,Securities Exchange Act of 1934, as amended (the "Exchange Act") of proxies or consents with respect to securities of the other Party or any of its subsidiaries or initiate any stockholder proposal with respect to the other Party or any of its subsidiaries; (iii) seek to advise, control or influence the management, Board of Directors or policies of the other Party or any of its subsidiaries(other than with respect to matters and Issues not relating to the subject matter of this paragraph), or take action for the purpose of convening a stockholders meeting of the other Party; (iv) 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 or a merger, business combination, sale of substantially all assets, liquidation, consolidation or other extraordinary corporate transaction relating to the other Party or any of its subsidiaries or take action which might require the other Party to make a public announcement regarding any of the foregoing; (v) form, join or in any way participate in a "group" within the meaning of Section 13 (d)(3) of the Exchange Act for the purpose of acquiring, holding, voting or disposing of securities of the other Party or any of its subsidiaries or taking any other actions restricted or prohibited under clauses (i) through (iv) of this paragraph, or take any steps in connection therewith; (vi) enter into any discussions, negotiations, arrangements or understandings with any third party with respect to any of the foregoing; (vii) disclose any Intention, plan or arrangements inconsistent with the foregoing; or (viii) advise, assist or encourage any other person in connection with any of the foregoing. If, in the absence of a violation of this paragraph 12 by either of the Parties, any other person or entity undertakes, with respect to one of the Parties (the "Target Party") an action or combination of actions which would constitute a violation of this paragraph 12 if undertaken by either of the Parties, then the non-Target Party shall be released from its obligations under this paragraph 12 with respect to the Target Party.

13. This Confidentiality Agreement will be governed by and construed in accordance with the laws of the State of California applicable to contracts between residents of that State and executed in and to be performed in that State without regard to its conflicts of laws or choice of laws rules.

14. This Confidentiality Agreement contains the entire agreement between the Parties with respect to the subject matter hereof, and no modification of this

Confidentiality Agreement or waiver of the terms and condition hereof will be binding upon either, unless approved in writing by both Parties.

15. Unless a shorter period is specified in a particular paragraph or section of this Confidentiality Agreement with respect to the obligations set forth in that paragraph or section, all obligations herein shall terminate three years from the above date. Please confirm your agreement with the foregoing by signing and returning the duplicate copy of this letter enclosed herewith.

Very truly yours,

/s/ Michael R. Brown
Michael R. Brown
Chairman and Chief Executive Officer
Litton Industries, Inc.

Accepted and Agreed as of the date
first written above:

Northrop Grumman Corporation

By: /s/ Kent Kresa

Its: Chairman / Pres. & CEO

EXHIBIT 99.(d)(3)

[LETTERHEAD OF NORTHROP GRUMMAN]

December 21, 2000

Dr. Ronald D. Sugar
518 Lakeview Canyon Road
Westlake Village, California 91362

Dear Ron:

This letter (the "Northrop Grumman Agreement") will confirm our discussions regarding your employment with Northrop Grumman Corporation following its acquisition of Litton Industries, Inc. ("Litton").

Northrop Grumman is entering into a Merger Agreement with Litton, pursuant to which Litton shall become a wholly owned subsidiary of Northrop Grumman (the "Litton Transaction"). This transaction will constitute a "Change of Control" as that term is used in your existing Change of Control Employment Agreement ("COCEA") and your existing June 21, 2000 agreement (the "Letter Agreement") with Litton. (The COCEA and the Letter Agreement are collectively referred to as the "Litton Agreements").

Following the closing of the transaction, you shall be employed as an elected Corporate Vice President of Northrop Grumman and as President and Chief Executive Officer of the Litton subsidiary of Northrop Grumman. You will report to the Chief Executive Officer of Northrop Grumman. In addition, prior to the closing date of the Litton Transaction you will be elected to the Northrop Grumman Board of Directors effective as of the closing date.

Upon the closing of the Litton Transaction, Northrop Grumman will assume the obligations of your Litton Agreements. However, in consideration for your employment by Northrop Grumman on the terms set forth above, you agree to modify these Agreements as set forth below. Specifically, notwithstanding anything to the contrary in the Litton Agreements, you agree that:

1. The period of time commencing as of the closing date of the Litton transaction and ending on the later of (i) six months after the closing, or (ii) December 31, 2001 shall be the "Employment Period." Except as expressly set forth in Sections 2 and 3 below, you hereby agree to waive any claims you may have to terminate

your employment during the Employment Period for "Good Reason" (as that term is defined in Section 5(c) of the COCEA), or to terminate your employment and claim a "Constructive Termination Without Cause," as that term is defined in Section 9(ii) of your Letter Agreement. Therefore, if you terminate your employment during the Employment Period (except for the reasons set forth in Sections 2 and 3 below) you shall not be entitled to any severance benefits under either the COCEA or the Letter Agreement.

2. If during the Employment Period Northrop Grumman fails to pay you your Annual Base Salary or Annual Bonus as those terms are defined in Sections 4(b)(i) and (ii) of the COCEA, or if you no longer report to the Chief Executive Officer of Northrop Grumman, you shall have the right to terminate your employment at that time for Good Reason and receive the benefits set forth in Section 6(a) of the COCEA, provided you have given Northrop Grumman prior written notice of such failure to pay or of such change in reporting relationship and a reasonable opportunity to cure.

3. Similarly, if during the Employment Period Northrop Grumman reduces your current base salary or target bonus opportunity as a percentage of base salary as set forth in Section (9)(ii)(A) of the Letter Agreement, or fails to make any other payments due you under that Agreement, or if you no longer report to the Chief Executive Officer of Northrop Grumman, you shall have the right to terminate employment based on a Constructive Termination Without Cause and receive severance benefits pursuant to the terms of the Letter Agreement, provided you have given Northrop Grumman prior written notice of such reduction or failure to pay, or change in reporting relationship, and a reasonable opportunity to cure.

4. Nothing in this Northrop Grumman Agreement shall affect your right to terminate from employment after the Employment Period and claim Good Reason or a Constructive Termination Without Cause based on events which occurred during the Employment Period. Nothing in this Northrop Grumman Agreement shall affect whatever rights you may have to accelerated vesting of unvested stock options, restricted stock, or Performance-Based Restricted Stock upon the occurrence of a change of control.

5. You agree that your employment in the position of Chief Executive Officer of the Litton subsidiary of Northrop Grumman fully satisfies the contingency set forth in the first paragraph of Section 7 of the Letter Agreement relating to your election as Chief Executive Officer of Litton.

6. You shall have the right to voluntarily terminate your employment during the thirty day period following the Employment Period, and such termination shall be a termination for Good Reason and therefore entitle you to severance benefits under the COCEA. Such termination shall also be a Constructive Termination Without Cause and shall entitle you to severance benefits under Section 7 (but not Section 8) of the Letter Agreement. In accordance with Section 7(vi) of the Letter Agreement, your combined total severance benefit under both Section 7(i) of the Letter Agreement and Section 6(a)(i)(B) of the COCEA shall be the greater of (i) $5,000,000 or (ii) three times the sum of your Annual Base Salary and Annual Bonus, or if higher, any bonus paid with respect to any fiscal year during the Employment Period (as those terms are defined in the COCEA).

This Northrop Grumman Agreement shall be effective only in the event that the Litton Transaction closes on or before December 31, 2001, and shall have no force or effect in the event that the Litton Transaction falls to close by that date. If the Litton Transaction closes, then this Northrop Grumman Agreement along with your Litton Agreements as modified hereby shall constitute the entire agreement between you and Northrop Grumman pertaining to the subject matters covered by those Agreements. In the event the Litton Transaction fails to close by December 31, 2001, then your Litton Agreements shall remain in full force and effect and unmodified. This Northrop Grumman Agreement shall not be assignable by either party.

This is a tremendous opportunity for Northrop Grumman and Litton. I look forward to working with you in bringing about a smooth integration.

Sincerely,

/s/ Kent Kresa

Kent Kresa

AGREED TO:

/s/ Ronald D. Sugar
- -----------------------------
Ronald D. Sugar

Dated: 12/21/00