As filed with the Securities and Exchange Commission on February 1, 2001
Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

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

Delaware	3812	95-4838004
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employee Identification Number)

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

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

Copies To:

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

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

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

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

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

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

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered(1)	Proposed maximum offering price per unit	Proposed maximum aggregate offering price	Amount of registration fee(2),(3)
Common stock, par value $1.00 per share (including associated rights).....	13,000,000 shares	N/A	N/A	$358,546.92
Series B Preferred Stock, par value $1.00 per share.....	3,500,000 shares	N/A	N/A	(4)

(1) This registration statement relates to securities of the registrant exchangeable for shares of common stock, par value $1.00 per share, of Litton Industries, Inc., a Delaware corporation, (together with the associated rights to purchase preferred stock of Litton pursuant to the Rights Agreement dated as of August 17, 1994 between Litton and The Bank of New York, as amended as of December 21, 2000 and January 23, 2001, the "Litton common stock") in the offer to purchase or exchange by registrant for all of the issued and outstanding shares of Litton common stock and all of the issued and outstanding shares of Series B $2 Cumulative Preferred Stock of Litton (the "Litton preferred stock") pursuant to the Amended and Restated Agreement and Plan of Merger (the "amended merger agreement") dated as of January 23, 2001 among Northrop Grumman Corporation, Litton, NNG, Inc. and LII Acquisition Corp.

(2) The registration fee has been determined pursuant to Rule 457(c) and (f) of the Securities Act of 1933, as amended, (the "Securities Act"), based on the average of the high and low sales prices for the shares of Litton common stock as reported on the New York Stock Exchange ("NYSE") on January 26, 2001 ($78.78), and the estimated maximum number of shares of Litton common stock (18,641,387) that may be exchanged for NNG common stock and NNG Series B Preferred Stock registered herein. Pursuant to Rule 457(f)(3), the fee is based on: (i) the total number of shares of Litton common stock outstanding as of December 31, 2000 (45,577,834), plus (ii) options to purchase 1,244,523 shares of Litton common stock outstanding as of December 31, 2000, less (iii) the estimated amount of cash consideration to be paid for the shares of Litton common stock in the offer. The fee amount is calculated as follows: [(46,822,357 x $78.78) - ((46,822,357 - 18,641,387) x $80.00)] x 0.000250 = $358,546.92.

(3) In accordance with Rule 457(b), the fee described above in footnote (2) has been offset by the amount previously paid ($767,819.11) pursuant to Rule 0-11(b) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act"), in connection with the Schedule TO Filed with the SEC on January 5, 2001. As provided in Rule 0-11(a)(2), only "one fee per transaction" is required to be paid. Accordingly, no additional fee is due.

(4) The registration fee of $358,546.92 is the total registration fee for both the NNG common stock and the NNG Series B Preferred Stock.

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

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

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

The offer and withdrawal rights will expire at 12:00 Midnight, New York City time, on Thursday, March 1, 2001 unless extended. Shares of Litton common stock and Litton preferred stock tendered pursuant to the offer may be withdrawn at any time prior to the expiration of the offer and, unless previously accepted for purchase or exchange pursuant to the offer, may also be withdrawn at any time after Tuesday, March 6, 2001.

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

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

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

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

requirements. The Litton common stock and the Litton preferred stock currently trade on the NYSE and the Pacific Exchange under the symbols "LIT" and "LIT.B," respectively.

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

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

The date of this offer to purchase or exchange is February 1, 2001

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

SUMMARY

The following summary highlights selected information from this offer to purchase or exchange. This summary may not contain all of the information that is important to Litton stockholders. To better understand the offer and the other proposed transactions, Litton stockholders should read this entire document carefully, as well as the additional documents to which this offer to purchase or exchange refers. See "Additional Information" on page 86.

The Amended Merger Agreement

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

The Companies

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

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

Litton's businesses are divided into four business segments: Advanced Electronics, Information Systems, Ship Systems, and Electronic Components and Materials. The Advanced Electronics group is a major supplier

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

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

The Northrop Reorganization

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

[GRAPHIC APPEARS HERE]

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

In the Northrop reorganization, immediately prior to the purchase of Litton common stock and Litton preferred stock in the offer, NGC Acquisition will merge with and into Northrop Grumman. As a result,

Northrop Grumman will become a wholly-owned subsidiary of NNG. NNG will change its name to "Northrop Grumman Corporation," and, Northrop Grumman will be renamed "Northrop Grumman Operations Corporation." All of Northrop Grumman's capital stock will be converted into capital stock of NNG. The outstanding shares of Northrop Grumman common stock will automatically be deemed to be outstanding shares of NNG common stock with no exchange of certificates and the NNG common stock will have the same rights, preferences and privileges as the Northrop Grumman common stock. The NNG common stock will be publicly traded and listed on the NYSE. The following chart illustrates the resulting corporate structure:

[GRAPHIC APPEARS HERE]

The Litton Merger

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

Choices Available to Litton Stockholders

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

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

The number of shares of NNG common stock to be issued in exchange for each share of Litton common stock will be determined by dividing $80.25 by the average of the closing prices for Northrop Grumman common stock on the NYSE for the five consecutive trading days ending on the second trading day before expiration of the offer. No fractional shares of NNG common stock or NNG preferred stock will be issued. Cash will be delivered in lieu of fractional shares of NNG common stock or NNG preferred stock.

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

For more information on the NNG common stock exchange ratio, see "The Offer" beginning on page 22.

Elections and Proration

Elections by Tendering Stockholders

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

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

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

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

- Alternative B, if they wish to maximize the NNG common stock received in the offer; or
- Alternative C, if they wish to receive only NNG preferred stock or cash.

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

Alternative B. A tendering Litton common stockholder may make an Alternative B election with respect to Litton common stock which is tendered for either NNG common stock or NNG preferred stock. In the event that proration of elections to receive of NNG common stock is still required after the elimination of shares in

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

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

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

Pro Rata Reduction of Elections for NNG Stock

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

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

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

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

NNG Option to Reduce the Maximum Common Stock Consideration

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

The NNG Preferred Stock

The NNG preferred stock will have the following principal terms:

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

conversion price equal to 127% of the average of the closing prices for Northrop Grumman common stock on the NYSE for the five consecutive trading days ending on the second trading day before expiration of the offer. The initial conversion price is subject to adjustment under certain circumstances, as described in "Description of NNG Capital Stock-Series B Preferred Stock."

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

- Redemption.

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

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

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

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

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

See "Description of NNG Capital Stock-Series B Preferred Stock--Voting Rights" on page 73 for a more detailed description of the voting and other rights and preferences of the NNG preferred stock.

Conditions to the Offer

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

- the satisfaction of the minimum tender condition;

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

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

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

These conditions and the other conditions to the offer are discussed in greater detail in "The Offer--Conditions of the Offer" beginning on page 31.

Litton's Support of the Offer and the Litton Merger

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

Fairness Opinion

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

Agreement With Litton's Largest Stockholder

Unitrin and certain of its subsidiaries, who collectively owned approximately 27.8% of the outstanding shares of Litton common stock as of January 23, 2001, have agreed to tender all of their shares of Litton common stock in the offer and elect to receive not less than 3,750,000 shares of NNG preferred stock and, as to the remainder, NNG common stock pursuant to the stockholder's agreement described in greater detail in "Other Agreements--The Stockholder's Agreement" on page 61.

Litton Stockholder Approval of the Litton Merger

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

Appraisal Rights

There are no appraisal rights available in connection with the offer. After the offer and subject to Delaware state law, appraisal rights will be available to holders of Litton common stock, and may be available (depending on circumstances at the time) to holders of Litton preferred stock who do not vote in favor of the Litton merger. See "Summary of Certain Statutory Provisions--Appraisal Rights" beginning on page 82.

Tendering Litton Shares

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

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

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

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

For more information on the timing of the offer, extensions of the offer period and Litton stockholders' rights to withdraw previously tendered Litton shares from the offer, see "The Offer" beginning on page 22, or call the information agent, Georgeson Shareholder Communications Inc., toll-free at (800) 223-2064.

Litton Stockholders Who Already Tendered Their Shares

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

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

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

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

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

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

The federal income tax consequences of the offer and the Litton merger will also depend on each Litton stockholder's particular circumstances. For a more detailed discussion of the potential federal income tax consequences, see "Material Federal Income Tax Consequences" beginning on page 41. Litton stockholders also should consult their tax advisors and other financial advisors for a full understanding of these and other tax consequences.

Extension of the Offer Period

The offer is currently scheduled to expire at Midnight, New York City time, on Thursday, March 1, 2001.

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

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

If the offer is extended for any reason, NNG will promptly publicly announce the extension no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled expiration date. During any extension of the offer, all Litton common stock and Litton preferred stock previously tendered and not withdrawn will remain subject to the offer, subject to the holder's right to withdraw. See "The Offer--Withdrawal Rights" beginning on page 27 and "The Amended Merger Agreement" beginning on page 45 for more details.

Delay; Termination; Waiver; Amendment

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

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

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

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

Withdrawal Rights

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

Reasons for the Proposed Transactions

NNG and Northrop Grumman are proposing the offer and the Litton merger because they believe that the offer and the Litton merger will significantly benefit Northrop Grumman's stockholders and customers. Northrop Grumman believes that the offer and the Litton merger will provide access to new product areas, increase diversification into new markets, increase market presence and opportunities and increase operating efficiencies. See "Background of the Amended Merger Agreement--Reasons for the Offer and the Litton Merger" beginning on page 40.

Accounting Treatment

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

Material Differences in Rights of Stockholders

The governing documents of NNG and Litton vary, and to that extent, holders of Litton common stock will have different rights as NNG stockholders. The differences are described in more detail under "Comparison of Stockholders' Rights" beginning on page 77.

Questions About the Offer and the Litton Merger

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

IMPORTANT CONSIDERATIONS CONCERNING ELECTIONS TO RECEIVE NNG STOCK

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

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

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

The Trading Market for NNG Preferred Stock May Be Limited

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

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

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

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

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

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

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

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

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

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

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

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

The indebtedness of Northrop Grumman as of September 30, 2000 was approximately $1.820 billion. NNG's pro forma indebtedness as of September 30, 2000 giving effect to the offer and the Litton merger and assuming the Minimum Equity Issuance (as described in "Selected Consolidated Financial Data" below), is approximately $6.4 billion. As a result of the increase in debt, demands on the cash resources of Northrop Grumman will increase after the Litton merger, which could have important effects on the investment in NNG's common stock and NNG's preferred stock. For example, the increased levels of indebtedness could:

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

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

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

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

Risks Relating to the Businesses of Northrop Grumman and Litton

Results of operation of NNG will be subject to numerous risks affecting the businesses of Northrop Grumman and Litton, many of which are beyond the companies' control. Many of these risks are identified under "Forward-Looking Statements" on page 87.

RECENT RESULTS OF NORTHROP GRUMMAN CORPORATION

On January 24, 2001, Northrop Grumman announced its results of operations for the three months and year ended December 31, 2000 as follows [unaudited]:

	Three months ended December 31, 2000	Year ended December 31, 2000
	($ in millions, except per share)	
Net sales	$2,229	$7,618
Operating margin	252	1,098
Interest expense (net)	(31)	(145)
Income from continuing operations	144	625
Diluted earnings per share from continuing operations	$ 1.99	$ 8.82

SELECTED CONSOLIDATED FINANCIAL DATA

The following is a summary of selected historical consolidated financial data of Northrop Grumman for each of the years in the five-year period ended December 31, 1999 and for the nine-month periods ended September 30, 2000 and 1999 and selected unaudited pro forma combined financial data of Northrop Grumman and Litton for the year ended December 31, 1999 and the nine-month period ended September 30, 2000. The operating results for the nine months ended September 30, 2000 are not necessarily indicative of results for the full fiscal year ending December 31, 2000. See "Additional Information" on page 86. Litton stockholders should read this summary together with the financial statements referred to below and incorporated by reference and their accompanying notes and in conjunction with management's discussion and analysis of operations and financial conditions of Northrop Grumman and Litton contained in such reports.

The historical consolidated financial data of Northrop Grumman for each of the years in the three year period ended December 31, 1999 are derived from the audited financial statements of Northrop Grumman contained in its Current Report on Form 8-K as filed on August 8, 2000, which is incorporated by reference in this offer to purchase or exchange. The historical consolidated financial data for the fiscal years ended December 31, 1996 and 1995 are derived from the audited financial statements of Northrop Grumman. The historical consolidated financial data for the nine-month periods ended September 30, 2000 and 1999 are derived from the unaudited financial statements of Northrop Grumman contained in its Quarterly Report on Form 10-Q as filed on November 3, 2000, which is incorporated by reference in this offer to purchase or exchange.

The selected unaudited pro forma combined financial data of Northrop Grumman and Litton was derived from Northrop Grumman's audited consolidated financial statements for the year ended December 31, 1999, Northrop Grumman's unaudited consolidated financial statements for the nine months ended and as of September 30, 2000, Litton's audited consolidated financial statements for the year ended July 31, 2000 and Litton's unaudited consolidated financial statements for the quarter ended and as of October 31, 2000. In addition, the audited financial statements contained in Litton's Annual Report on Form 10-K for the fiscal year ended July 31, 1999 and the unaudited financial statements of Litton contained in Litton's Quarterly Reports on Form 10-Q for the periods ended January 31, 2000 and 1999 have been used to bring the financial reporting periods of Litton to within 31 days of those of Northrop Grumman.

The selected unaudited pro forma combined financial data give effect to the offer and the Litton merger as if they had occurred on the dates referenced under "Unaudited Pro Forma Condensed Combined Financial Information" beginning on page 68. The selected unaudited pro forma combined financial data do not include the realization of any cost savings from operating efficiencies, synergies or other restructurings resulting from the offer and the Litton merger. Two pro forma transaction scenarios are presented: Minimum Equity Issuance and Maximum Equity Issuance. The Minimum Equity Issuance scenario is based upon the assumption that Unitrin tenders its shares of Litton common stock for NNG stock as described in "Other Agreements--The Stockholder's Agreement," beginning on page 61 and all other stockholders tender their shares for cash. The Maximum Equity Issuance scenario is based upon the assumption that the maximum number of shares of NNG common stock (i.e. 13,000,000) and maximum number of shares of NNG preferred stock (i.e. 3,500,000) are issued, with the remainder of the consideration in the offer paid in cash. The selected unaudited pro forma combined financial data do not purport to represent what NNG's results of operations or financial position actually would have been if the transactions referred to therein had been consummated on the date or for the periods indicated or what such results will be for any future date or any future period. Litton stockholders should read this summary together with "Unaudited Pro Forma Condensed Combined Financial Information" beginning on page 67 and the accompanying notes.

NORTHROP GRUMMAN CORPORATION

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

	Pro Forma		Historical Data				
	Minimum Equity Issuance	Maximum Equity Issuance					
	Year ended December 31,		Year ended December 31,				
	1999	1999	1999	1998	1997	1996	1995
Operating data:							
Net sales	$12,826	$12,826	$7,616	$7,367	$7,798	$ 7,667	$6,310
Operating margin	1,255	1,255	954	752	741	752	526
Interest expense (net)	(505)	(474)	(206)	(221)	(240)	(261)	(136)
Income from continuing operations before accounting changes	403	423	474	193	318	330	246
Diluted earnings per share from continuing operations before accounting change	$ 4.78	$ 4.68	$ 6.80	$ 2.78	$ 4.67	$ 5.18	$ 4.19
Balance sheet data:							
Total assets			$9,285	$9,536	$9,667	$ 9,645	$5,642
Net working capital			329	666	221	106	435
Total debt			2,225	2,831	2,791	3,378	1,372
Shareholders' equity			3,257	2,850	2,623	2,282	1,586
Other data:							
Net cash from operations			$1,207	$ 244	$ 730	$ 743	$ 777
Funded order backlog			8,499	8,415	9,700	10,451	8,063
Depreciation and amortization	$ 613	$ 613	352	360	381	342	255
Earnings before interest, taxes, depreciation and amortization (EBITDA)(a)	$ 1,774	$ 1,774	1,305	890	1,133	1,081	790

NORTHROP GRUMMAN CORPORATION

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

	Pro Forma			
	Minimum Equity Issuance	Maximum Equity Issuance	Historical Data	
	Nine months ended September 30,		Nine months ended September 30,	
	2000	2000	2000	1999
Operating data:				
Net sales	$ 9,670	$ 9,670	$5,389	$5,436
Operating margin	1,140	1,140	846	699
Interest expense (net)	(358)	(331)	(114)	(172)
Income from continuing operations before accounting changes	507	524	481	335
Diluted earnings per share from continuing operations before accounting changes	$ 6.14	$ 5.94	$ 6.84	$ 4.82
Balance sheet data:				
Total assets	$16,542	$16,543	$9,354	$9,630
Net working capital	810	810	271	433
Total debt	6,413	5,983	1,820	2,599
Shareholders' equity	4,520	4,951	3,805	3,135
Other data:				
Net cash from operations			$ 596	$ 633
Funded order backlog			9,080	9,876
Depreciation and amortization	$ 466	466	261	260
Earnings before interest, taxes, depreciation and amortization (EBITDA)(a)	1,643	1,643	1,131	962

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

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF LITTON

The following is a summary of selected consolidated financial data of Litton for each of the years in the five-year period ended July 31, 2000 and the three-month periods ended October 31, 2000 and October 31, 1999. The operating results for the three months ended October 31, 2000 are not necessarily indicative of results for the full fiscal year ending July 31, 2001. This information is derived from the audited consolidated financial statements of Litton contained in its Annual Report on Form 10-K for the fiscal year ended July 31, 2000 and from the unaudited consolidated financial statements of Litton contained in its Current Report on Form 8-K, as filed on January 30, 2001, which are incorporated by reference in this offer to purchase or exchange, and from Litton's Quarterly Report on Form 10-Q for the period ended October 31, 1999, and is qualified in its entirety by such documents. See "Additional Information" on page 86. You should read this summary together with the financial statements to which we refer and their accompanying notes and in conjunction with management's discussion and analysis of operations and financial conditions of Litton contained in such reports.

LITTON INDUSTRIES, INC. AND SUBSIDIARIES

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA
(In millions, except per share data)

	Three Months Ended October 31		Year Ended July 31				
	2000	1999	2000	1999	1998	1997	1996
	(unaudited)						
Operating data:							
Sales and service revenues	$ 1,413	$ 1,371	$5,588	$4,828	$4,400	$4,176	$3,612
Total segment operating profit	114	132	562	339	410	370	320
Income before accounting change	45	53	221	121	181	162	151
Diluted earnings per share before accounting change	$ .97	$ 1.13	$ 4.80	$ 2.58	$ 3.82	$ 3.40	$ 3.15
Balance sheet data:							
Total assets	$ 4,849	$ 4,937	4,836	4,260	4,114	3,545	3,454
Net working capital	539	246	500	295	164	163	107
Total debt	1,424	1,667	1,399	1,033	1,046	680	787
Total stockholders' investment	1,545	1,351	1,496	1,300	1,187	1,039	917
Other data:							
Net cash from operations	29	7	250	244	228	223	70
Depreciation and amortization	46	47	190	161	148	138	114
Earnings before interest, taxes, depreciation and amortization (EBITDA)(a)	146	162	683	441	502	452	381

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

COMPARATIVE PER SHARE INFORMATION

The following table summarizes unaudited per share information for Northrop Grumman and Litton on a historical, pro forma combined and equivalent pro forma combined basis. The following information should be read in conjunction with the audited consolidated financial statements of Northrop Grumman and Litton, the unaudited interim consolidated financial statements of Northrop Grumman and Litton, and the unaudited pro forma condensed combined financial information included elsewhere or incorporated by reference in this offer to purchase or exchange. The pro forma information is presented for illustrative purposes only and is not necessarily indicative of the operating results or financial position that would have occurred if the offer, the Litton merger and the Northrop reorganization had been consummated as of the beginning of the respective periods presented, nor is it necessarily indicative of the future operating results or financial position of the combined companies. The historical book value per share is computed by dividing total stockholders' equity by the number of common shares outstanding at the end of the period. The pro forma per share earnings from continuing operations is computed by dividing the pro forma income from continuing operations by the pro forma weighted average number of shares outstanding. The pro forma combined book value per share is computed by dividing total pro forma stockholders' equity by the pro forma number of common shares outstanding at the end of the period. Litton's equivalent pro forma combined per share amounts are calculated by multiplying Northrop Grumman's pro forma combined per share amounts by 0.9106, the percentage of a share of NNG common stock that would be exchanged for each share of Litton common stock in the offer, based upon the average of the closing prices for Northrop Grumman common stock on the NYSE for the five consecutive trading days ending on January 26, 2001 ($88.125).

	Nine months ended September 30, 2000	Year ended December 31, 1999
NORTHROP GRUMMAN		
Historical per common share data:		
Basic earnings per share	$ 6.86	$ 6.84
Diluted earnings per share	6.84	6.80
Book value per common share	54.13	46.72
Dividends declared--Common	1.20	1.60
Dividends declared--Preferred	--	--
Pro forma combined per common share data:		
Minimum Equity Issued		
Basic earnings per share	$ 6.23	$ 4.86
Diluted earnings per share	6.14	4.78
Book value per common share	57.00	48.44
Dividends declared--Common	1.20(a)	1.60(a)
Dividends declared--Preferred	6.75	9.00
Maximum Equity Issued		
Basic earnings per share	$ 6.02	$ 4.75
Diluted earnings per share	5.94	4.68
Book value per common share	58.80	50.75
Dividends declared--Common	1.20(a)	1.60(a)
Dividends declared--Preferred	6.75	9.00

	Nine months ended September 30, 2000	Year ended December 31, 1999
LITTON		
Historical per common share data:		
Basic earnings per share before accounting change	$ 3.87	$ 2.59
Diluted earnings per share before accounting change	3.84	2.55
Book value per common share	33.77	30.18
Dividends declared--Common	--	--
Dividends declared--Preferred	1.50	2.00
Equivalent pro forma combined per common share data:		
Minimum Equity Issued		
Basic earnings per share	$ 5.67	$ 4.43
Diluted earnings per share	5.59	4.35
Book value per common share	51.90	44.11
Dividends declared--Common	1.09	1.46
Dividends declared--Preferred	6.15	8.20
Maximum Equity Issued		
Basic earnings per share	$ 5.48	$ 4.33
Diluted earnings per share	5.41	4.26
Book value per common share	53.54	46.21
Dividends declared--Common	1.09	1.46
Dividends declared--Preferred	6.15	8.20

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

MARKET PRICES AND DIVIDENDS

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

The last reported sale price for Northrop Grumman common stock on January 31, 2001 was $86.68 and the last reported sale prices for Litton common stock and Litton preferred stock on January 31, 2001 were $79.08 and $34.30, respectively.

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

	Northrop Grumman Common Stock			Litton Common Stock		
	High	Low	Dividend	High	Low	Dividend
1998						
March 31, 1998	$139.00	$103.50	$0.40	$62.88	$55.88	--
June 30, 1998	109.69	99.00	0.40	63.44	56.06	--
September 30, 1998	108.00	59.63	0.40	61.81	47.56	--
December 31, 1998	83.19	69.50	0.40	67.19	56.44	--
1999						
March 31, 1999	73.25	57.00	0.40	64.50	51.63	--
June 30, 1999	73.31	57.75	0.40	73.88	54.94	--
September 30, 1999	75.69	59.94	0.40	72.44	54.75	--
December 31, 1999	62.31	49.00	0.40	55.50	42.50	--
2000						
March 31, 2000	55.19	43.56	0.40	50.81	27.94	--
June 30, 2000	80.25	52.44	0.40	45.69	38.81	--
September 30, 2000	91.81	65.63	0.40	58.47	41.00	--
December 31, 2000	92.50	74.13	0.40	79.88	44.00	--
2001						
Quarter through January 31, 2001	89.50	79.81	--	79.08	78.69	--

	Litton Preferred Stock		
	High	Low	Dividend
1998			
March 31, 1998	$35.50	$32.00	$0.50
June 30, 1998	33.75	30.00	$0.50
September 30, 1998	33.25	30.00	$0.50
December 31, 1998	33.25	29.00	$0.50
1999			
March 31, 1999	33.50	30.00	$0.50
June 30, 1999	32.50	28.75	$0.50
September 30, 1999	31.50	27.50	$0.50
December 31, 1999	30.00	25.25	$0.50
2000			
March 31, 2000	26.75	24.75	$0.50
June 30, 2000	26.50	23.50	$0.50
September 30, 2000	25.50	23.00	$0.50
December 31, 2000	35.00	23.25	$0.50
2001			
Quarter through January 31, 2001	34.63	34.00	--

Exchange of Litton Shares; Exchange Ratio

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

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

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

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

Elections by Tendering Stockholders

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

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

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

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

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

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

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

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

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

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

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

Pro Rata Reduction of Elections for NNG Stock

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

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

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

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

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

Reduction in Number of Shares of NNG Common Stock

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

per share of Litton common stock. If this should occur, NNG will promptly publicly announce the amount of cash to be substituted and the new maximum common stock consideration and will extend the offer, if necessary, in accordance with the applicable rules of the SEC to allow Litton stockholders to consider the information.

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

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

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

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

More Information about NNG Common Stock Exchange Ratio

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

Stockholder Rights Plans

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

The shares of NNG common stock to be issued in the offer include the associated NNG preferred stock purchase rights pursuant to the rights agreement between NNG and ChaseMellon Shareholder Services to be entered into prior expiration of the offer. The NNG rights agreement will be on the same terms and conditions as Northrop Grumman's current rights agreement dated as of September 23, 1998 between Northrop Grumman and ChaseMellon Shareholder Services. However, provisions will be added to permit the acquisition by Unitrin of NNG common stock (and NNG common stock issuable upon conversion of the NNG preferred stock) as contemplated by the offer and the stockholder's agreement described under "Other Agreements--The Stockholder's Agreement" on page 61. All references to shares of NNG common stock in this offer to purchase or exchange are also references to the associated NNG preferred stock purchase rights.

Stockholders List

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

Extension; Termination; Amendment

The offer is currently scheduled to expire at Midnight, New York City time, on Thursday, March 1, 2001.

rSubject to the terms of the amended merger agreement, NNG may extend the period of time during which the offer remains open without Litton's consent by giving oral or written notice of such extension to the depositary. If the offer is extended for any reason, NNG will make an announcement to that effect no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled expiration date. The amended merger agreement, subject to certain exceptions, allows NNG to extend the offer for successive periods of up to five business days until all conditions have been satisfied or waived. Northrop Grumman has agreed to cause NNG to extend the offer for the shortest time periods which it reasonably believes are necessary until the consummation of the offer if the conditions of the offer have not been satisfied or waived. During any such extension, all shares of Litton stock previously tendered and not withdrawn will remain subject to the offer, subject to each tendering stockholder's right to withdraw its Litton common stock or Litton preferred stock. Litton stockholders should read the discussion under the caption "The Offer--Withdrawal Rights" beginning on page 27 for more details about withdrawal rights.

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

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

Purchase and Exchange of Litton Stock; Delivery of NNG Stock

Upon the terms and subject to the conditions of the offer, including the terms and conditions of any extension or amendment of the offer, NNG will accept, and will purchase or exchange, shares of Litton common stock (in accordance with the elections of tendering Litton stockholders) or Litton preferred stock validly tendered and not properly withdrawn as promptly as practicable after the expiration date. In addition, subject to applicable rules of the SEC and the terms of the amended merger agreement, NNG expressly reserves the right to delay acceptance of Litton stock in order to comply with any applicable law. In all cases, purchases and exchanges of Litton stock tendered and accepted for exchange will be made only after timely receipt by the depositary of:

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

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

- any other required documents.

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

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

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

Cash Instead of Fractional Shares of NNG Stock

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

Transfer Charges

Litton stockholders who tender Litton common stock or Litton preferred stock in the offer, will not be obligated to pay any charges or expenses of the depositary. Except as set forth in the instructions to the letter of transmittal, transfer taxes on tenders will be paid by NNG or on NNG's behalf. Record owners of Litton common stock or Litton preferred stock who tender shares in the offer will not have to pay brokerage fees or incur similar expenses. Holders who own Litton common stock or Litton preferred stock through a broker or other nominee, and whose broker or other nominee exchanges such Litton stock on the holder's behalf, may be subject to a charge from the broker or nominee for doing so. Litton stockholders should consult their broker or nominee to determine whether any charges will apply.

Interest

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

Withdrawal Rights

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

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

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

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

Procedures for Tendering

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NNG will determine questions as to the validity, form, eligibility, including time of receipt, and acceptance for exchange of any tender of Litton common stock or Litton preferred stock, in its sole discretion, and NNG's determination shall be final and binding. NNG reserves the absolute right to reject any tenders of Litton common stock or Litton preferred stock that NNG determines are not in proper form or the acceptance for exchange of or exchange for which may, in the opinion of NNG's counsel, be unlawful. NNG also reserves the absolute right to waive any of the conditions of the offer (other than the minimum tender condition) or any defect or irregularity in the tender of any shares of Litton common stock or Litton preferred stock. No tender of Litton common stock or Litton preferred stock will be deemed to have been validly made until all defects and irregularities have been cured or waived. Neither NNG, the depositary, the information agent nor any other person is under any duty to give notification of any defects or irregularities in the tender of any Litton common stock or Litton preferred stock or will incur any liability for failing to give any such notification. NNG's interpretation of the terms and conditions of the offer, including the letter of transmittal and instructions thereto will be final and binding.

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

Purpose of the Offer; The Litton Merger

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

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

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

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

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

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

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

Conditions of the Offer

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

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

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

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

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

at any time on or after the date hereof and prior to the acceptance for payment or exchange of Litton 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 Northrop reorganization and the Litton merger or other subsequent business combination of waiting periods under the HSR Act or Regulation (EEC) No. 4064/89 of the Council of the European Union, that has the effect of (i) making the acceptance for payment of, or the payment for, some or all of the Litton shares illegal or otherwise prohibiting consummation of the offer, (ii) imposing limitations on the ability of NNG or Northrop Grumman to acquire or hold or to exercise effectively all rights of ownership of the Litton shares, or to control effectively the business, assets or operations of Northrop Grumman, Litton and their subsidiaries, of such magnitude as would have a material adverse effect on the business, assets, long-term earning capacity or financial condition of Northrop Grumman, Litton and their subsidiaries, taken as a whole;

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

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

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

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

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

Regulatory Approvals

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

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

Any extension of the waiting period will not give rise to any withdrawal rights not otherwise provided for by applicable law. See "The Offer--Withdrawal Rights" beginning on page 27. If NNG's purchase of Litton common stock or Litton preferred stock is delayed pursuant to a request by the Antitrust Division or the FTC for additional information or documentary material pursuant to the HSR Act, the offer will be extended in

certain circumstances. See "The Amended Merger Agreement--Conditions to the Completion of the Litton Merger."

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

The parties conduct business in a number of foreign countries. Under the laws of certain foreign nations and multinational authorities, such as the European Commission (under Council Regulation (EEC) 4064/89, or "ECMR"), the transaction may not be completed or control may not be exercised unless certain filings are made with these nations' antitrust regulatory authorities or multinational antitrust authorities and these antitrust authorities approve or clear closing of the transaction. Other foreign nations and multinational authorities have voluntary and/or post-merger notification systems. The parties have filed or 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.

Reduced Liquidity; Possible Delisting

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

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

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

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

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

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

Status as "Margin Securities"

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

Registration Under The Exchange Act

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

Source and Amount of Funds

The offer is not conditioned upon any financing arrangements. NNG estimates that the total amount of funds required to purchase all of the outstanding Litton stock pursuant to the offer and the Litton merger and to pay related fees and expenses will be between approximately $2.3 billion and $2.9 billion, depending upon the actual number of shares of NNG common stock and NNG preferred stock issued in the offer. NNG expects to obtain the funds necessary to consummate the offer and the Litton merger from Northrop Grumman. Northrop Grumman has received a commitment letter from Credit Suisse First Boston, The Chase Manhattan Bank and JP Morgan providing for the structure, arrangement and syndication of senior unsecured loans of up to $6,000,000,000, the initial proceeds of which will be used solely to acquire Litton common stock and preferred stock in the offer and the Litton merger, to retire and refinance certain outstanding debt of Litton and to pay any related expenses. The proceeds of subsequent borrowings under the loans will be used for general corporate

purposes of NNG, Northrop Grumman and Litton. The loans will be in the form of a 364-day revolving credit facility with an aggregate maximum principal amount of $2,500,000,000, a five-year revolving credit facility with an aggregate principal amount of up to $2,500,000,000 and a 364-day term facility with an aggregate principal amount of $1,000,000,000. Each of the facilities will be an unsecured senior credit facility and will contain usual and customary affirmative and negative covenants, including customary financial covenants. Interest rates for the loans will be adjusted LIBOR (which will at all times include statutory reserves) or the adjusted base rate, at the election of Northrop Grumman, in each case plus spreads depending upon a schedule of certain specified Standard & Poor's and Moody's Investor Services ratings of Northrop Grumman. Northrop Grumman may elect periods of one, two, three or six months for adjusted LIBOR borrowings under the loans.

It is expected that the loan documents will be negotiated while the offer is outstanding and signed on or before expiration of the offer.

Relationships with Litton

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

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

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

Fees and Expenses

NNG has retained Georgeson Shareholder Communications Inc. to act as the information agent in connection with the offer. The information agent may contact holders of Litton stock by mail, telephone, telex, telegraph and personal interviews and may request brokers, dealers and other nominee stockholders to forward the offer materials to beneficial owners of Litton stock. The information agent will be paid a customary fee for such services, plus reimbursement of out-of-pocket expenses, and NNG will indemnify the information agent against certain liabilities and expenses in connection with the offer, including liabilities under federal securities laws.

Salomon Smith Barney Inc. is acting as the dealer manager in connection with the offer and as financial advisor to NNG and Northrop Grumman in connection with the offer and the Litton merger, for which services Salomon Smith Barney Inc. will receive reasonable and customary compensation. Northrop Grumman has agreed to reimburse Salomon Smith Barney Inc. for reasonable fees and expenses incurred in performing its services, including reasonable fees and expenses of its legal counsel and to indemnify Salomon Smith Barney Inc. and certain related parties against certain liabilities, including liabilities under the federal securities laws,

arising out of its engagement. In the ordinary course of business, Salomon Smith Barney Inc. and its affiliates may actively trade or hold the securities of Northrop Grumman, Litton and their respective affiliates for Salomon Smith Barney's and its affiliates' own account or for the account of customers and, accordingly, may at any time hold a long or short position in such securities.

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

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

BACKGROUND OF THE AMENDED MERGER AGREEMENT

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

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

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

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

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

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

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

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

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

Certain Projections

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

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

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

The projections provided to Northrop Grumman by Litton included, among other things, the following forecasts of Litton's revenues, net income (excluding pension income) and earnings per share (excluding

pension income), respectively (in millions, except per share data): $5,850.0, $151.9 and $3.31 in 2001; $6,473.0, $186.4 and $4.06 in 2002; $6,827.0, $220.8 and $4.81 in 2003; $7,183.0, $248.4 and $5.41 in 2004; and $7,436.0, $278.7, and $6.07 in 2005. Including pension income, the projected net income and earnings per share were, respectively (in millions, except per share data): $220.5 and $4.80 in 2001; $254.9 and $5.55 in 2002; $289.4 and $6.30 in 2003; $317.0 and $6.90 in 2004; and $347.3 and $7.56 in 2005.

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

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

For these reasons, as well as the bases and assumptions on which the projections were compiled by Litton, the inclusion of such projections herein should not be regarded as an indication that Litton, Northrop Grumman, NNG or any of their respective affiliates or representatives considers such information to be an accurate prediction of future events, and the projections should not be relied on as such. 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.

Reasons for the Offer and the Litton Merger

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

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

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

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

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

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

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

MATERIAL FEDERAL INCOME TAX CONSEQUENCES

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

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

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

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

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

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

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

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

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

Exchange of Litton Common Stock Solely for Cash

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Federal Income Tax Considerations in Making an Election

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

Cash in Lieu of Fractional Shares

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

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

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

Holders of Litton Preferred Stock Who Hold No Litton Common Stock

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

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

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

Treatment of Holders of Litton Common Stock in the Litton Merger

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

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

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

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

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

Reporting Requirements

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

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

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

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

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

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

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

The Northrop Reorganization

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

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

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

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

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

The Litton Merger

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

Conditions to the Completion of the Litton Merger

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

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

Effective Time of the Litton Merger

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

Additional Effects of the Litton Merger and the Northrop Reorganization

Upon completion of the Litton merger:

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

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

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

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

Upon completion of the Northrop reorganization:

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

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

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

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

The Litton Board

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

- amend or terminate the amended merger agreement;

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

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

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

Litton Stock Options

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

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

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

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

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

Representations and Warranties

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

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

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

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

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

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

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

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

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

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

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

- subsidiaries of Litton;

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

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

- material employee benefit plans of Litton;

- employment agreements with executive officers of Litton;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Conduct of Business of Litton Prior to the Litton Merger

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

- amend its governing documents;
- issue or agree to issue any stock of any class or any other debt or equity equivalents, except for shares of Litton common stock (i) issued and sold under previously granted options, performance-based restricted stock or deferred stock units, (ii) issued and sold pursuant to rights previously granted or (iii) issued and sold by a subsidiary of Litton to any entity which is wholly-owned by Litton;
- split, combine or reclassify any shares of capital stock, declare, set aside or pay any dividend or other distribution, or make any other actual, constructive or deemed distribution in respect of its capital stock, except dividend payments made on the Litton preferred stock and dividend or distribution payments made by a wholly-owned subsidiary of Litton to Litton or another wholly-owned subsidiary of Litton;
- redeem or otherwise acquire any of its securities or any securities of any of its subsidiaries;
- adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalitzation or other reorganization of Litton or any of its subsidiaries other than the Litton merger;
- alter through merger, liquidation, reorganization, restructuring or any other fashion the corporate structure of ownership of any subsidiary, except as provided in the amended merger agreement;
- (i) incur any debt except for borrowings under existing lines of credit or in the ordinary course of business; (ii) assume, guarantee, endorse or otherwise become liable or responsible for the obligations of any other person except in the ordinary course of business and for obligations of subsidiaries of Litton incurred in the ordinary course of business; (iii) make any loans, advances or capital contributions to or investments in any other person; (iv) pledge or otherwise encumber shares of capital stock of Litton or its subsidiaries except in connection with certain borrowings; or (v) mortgage or pledge any of its material assets, tangible or intangible, or create or suffer to exist any material lien thereupon;
- enter into, adopt, amend or terminate any bonus, profit sharing, compensation, severance, termination, stock option, stock appreciation right, restricted stock, performance unit, stock equivalent, stock purchase agreement, pension, retirement, deferred compensation, employment, severance or other employee benefit agreement, trust, plan, fund or other arrangement for the benefit or welfare of any director, officer or employee in any manner or increase in any manner the compensation or fringe benefits of any director, officer or employee or pay any benefit not contemplated by any plan and arrangement in effect as of the date of the amended merger agreement, subject to certain exceptions;
- acquire, sell, lease or dispose of any assets in any single transaction or series of related transactions having a fair market value in excess of $10,000,000 in the aggregate other than in connection with outsourcing agreements entered into with customers of Litton or its subsidiaries and in the ordinary course of business;
- change any of the accounting principles or practices used by Litton, except as a result of a change in law or in generally accepted accounting principles other than immaterial changes;
- revalue in any material respect any of Litton's assets other than in the ordinary course of business or as required by generally accepted accounting principles;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other Potential Acquirers

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

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

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

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

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

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

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

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

However, Litton may not enter into an agreement with respect to a superior proposal until the amended merger agreement is terminated and Litton has paid Northrop Grumman a termination fee in the amount of $110,000,000 as liquidated damages simultaneously with such termination. See "--The Amended Merger Agreement--Termination Fee; Expenses" on page 59.

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

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

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

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

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

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

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

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

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

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

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

Litton Stockholders Meeting

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

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

- Litton receives a superior proposal; and

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

Litton has also agreed to use all reasonable efforts to:

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

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

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

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

Access to Information and Confidentiality

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

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

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

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

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

Confidentiality

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

Additional Agreements

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

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

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

Antitrust Approvals

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Directors' and Officers' Liability Insurance and Indemnification

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

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

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

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

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

Employee Matters

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

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

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

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

Additional Covenants

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

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

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

Northrop Grumman has agreed to:

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

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

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

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

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

Litton has agreed to:

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

Termination Events

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

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

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

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

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

- by Northrop Grumman and LII Acquisition if:

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

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

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

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

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

- by Litton if:

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

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

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

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

- the liability for breach of the amended merger agreement;

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

- the liquidated damages and expense provisions described immediately below.

Termination Fee; Expenses

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

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

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

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

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

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

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

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

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

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

  - the minimum tender condition is not satisfied;

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

  - no other condition of the offer is unsatisfied; and

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

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

The Stockholder's Agreement

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

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

Tender and Voting of Shares. Unitrin has agreed to:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Registration Rights Agreement

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

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

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

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

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

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

Change of Control Severance Agreements

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

. Incentive Loan Program:

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

. executive financial planning for an additional year following termination;

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

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

. educational assistance programs for three years following termination.

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

. the supplemental medical insurance plan for key executive employees;

. the executive survivor benefit plan; and

. the executive physical plan.

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

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

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

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

Confidentiality Agreement

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

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

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

RATIO OF COMBINED EARNINGS TO FIXED CHARGES AND PREFERRED DIVIDENDS

The following table sets forth the ratios of combined earnings to fixed charges and preferred dividends of Northrop Grumman for the one year period ended December 31, 1999 and for the nine-month period ended September 30, 2000 and pro forma combined ratios of Northrop Grumman and Litton for the year ended December 31, 1999 and nine-month period ended September 30, 2000.

The Pro Forma Ratios of Combined Earnings to Fixed Charges and Preferred Dividends are based upon the historical financial statements of Northrop Grumman and Litton adjusted to give effect to the business combination. Two pro forma transaction scenarios are presented: Minimum Equity Issuance and Maximum Equity Issuance. The Minimum Equity Issuance scenario is based upon the assumption that Unitrin, Inc. tenders its shares of Litton common stock for NNG stock as described in "Other Agreements--The Stockholder's Agreement" beginning on page 62 of this offer to purchase or exchange and all other shareholders tender their shares of Litton common stock for cash. The Maximum Equity Issuance scenario is based upon the assumption that the maximum number of shares of NNG common stock (i.e. 13,000,000) and the maximum number of shares of NNG preferred stock (i.e. 3,500,000) are issued, with the remainder of the purchase price paid in cash. The pro forma amounts have been developed from (a) the audited consolidated financial statements of Northrop Grumman contained in Northrop Grumman's Current Report on Form 8-K as filed on August 8, 2000 and from the unaudited consolidated financial statements of Northrop Grumman contained in Northrop Grumman's Quarterly Report on Form 10-Q for the period ended September 30, 2000, which are incorporated by reference in this offer to purchase or exchange, and (b) the audited consolidated financial statements contained in Litton's Annual Report on Form 10-K for the fiscal year ended July 31, 2000 and from the unaudited consolidated financial statements as of and for the quarter ended October 31, 2000 contained in Litton's Current Report on Form 8-K, as filed on January 30, 2001, which are incorporated by reference in this offer to purchase or exchange. In addition, the audited consolidated financial statements contained in Litton's Annual Report on Form 10-K for the fiscal year ended July 31, 1999 and the unaudited consolidated financial statements of Litton contained in Litton's Quarterly Reports on Form 10-Q for the periods ended January 31, 1999 and 2000 have been used to bring the financial reporting periods of Litton to within 31 days of those of Northrop Grumman.

	Pro Forma					
	Minimum Equity Issuance		Maximum Equity Issuance			
	Nine months ended September 30, 2000	Year ended December 31, 1999	Nine months ended September 30, 2000	Year ended December 31, 1999	Nine months ended September 30, 2000	Fiscal Year Ended December 31, 1999
Fixed Charges Ratio:...	2.69	1.95	2.82	2.03	5.50	3.78

For purposes of computing the ratios of combined earnings to fixed charges and preferred dividends, earnings represent earnings from continuing operations before income taxes and fixed charges, and fixed charges consist of interest expense, the portion of rental expense calculated to be representative of the interest factor, and preferred stock dividend. The ratios of earnings to fixed charges should be read in conjunction with the financial statements and other financial data included or incorporated by reference in this offer to purchase or exchange. See "Additional Information" on page 86.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The Unaudited Pro Forma Condensed Combined Financial Information of Northrop Grumman and Litton presented below is derived from the historical consolidated financial statements of each of Northrop Grumman and Litton. The Unaudited Pro Forma Condensed Combined Financial Information is prepared using the purchase method of accounting, with Northrop Grumman treated as the acquiror and as if the transactions had been completed as of the beginning of the periods presented for statements of operations purposes and on September 30, 2000 for balance sheet purposes.

For a summary of the proposed business combination, see "The Offer" beginning on page 23 of this offer to purchase or exchange.

The Unaudited Pro Forma Condensed Combined Financial Information is based upon the historical financial statements of Northrop Grumman and Litton adjusted to give effect to the business combination. Two pro forma transaction scenarios are presented: Minimum Equity Issuance and Maximum Equity Issuance. The Minimum Equity Issuance scenario is based upon the assumption that Unitrin tenders its shares for stock as described in "Other Agreements--The Stockholder's Agreement" beginning on page [ ] of this offer to purchase or exchange and all other shareholders tender their shares for cash. The Maximum Equity Issuance scenario is based upon the assumption that the maximum number of shares of NNG common stock (i.e. 13,000,000) and the maximum number of shares of NNG preferred stock (i.e. 3,500,000) are issued, with the remainder of the purchase price paid in cash. The pro forma adjustments for each transaction scenario are described in the accompanying notes presented on the following pages. The pro forma statements have been developed from (a) the audited consolidated financial statements of Northrop Grumman contained in Northrop Grumman's Current Report on Form 8-K as filed on August 8, 2000 and from the unaudited consolidated financial statements of Northrop Grumman contained in Northrop Grumman's Quarterly Report on Form 10-Q for the period ended September 30, 2000, which are incorporated by reference in this offer to purchase or exchange, and (b) the audited consolidated financial statements contained in Litton's Annual Report on Form 10-K for the fiscal year ended July 31, 2000 and from the unaudited consolidated financial statements as of and for the quarter ended October 31, 2000 contained in Litton's Current Report on Form 8-K, as filed on January 30, 2001, which are incorporated by reference in this offer to purchase or exchange. In addition, the audited consolidated financial statements contained in Litton's Annual Report on Form 10-K for the fiscal year ended July 31, 1999 and the unaudited consolidated financial statements of Litton contained in Litton's Quarterly Reports on Form 10-Q for the periods ended January 31, 1999 and 2000 have been used to bring the financial reporting periods of Litton to within 31 days of those of Northrop Grumman.

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

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

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

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

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

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENTS OF FINANCIAL POSITION

September 30, 2000
($ in millions)

	Northrop Grumman	Litton	Minimum Equity Issuance Pro Forma Adjustment	Minimum Equity Issuance Pro Forma Combined	Maximum Equity Issuance Pro Forma Adjustment	Maximum Equity Issuance Pro Forma Combined
ASSETS						
Current assets:						
Cash	$ 753	$ 66	$ --	$ 819	$ --	$ 819
Accounts receivable	1,292	765		2,057		2,057
Inventoried costs	603	774		1,377		1,377
Deferred income taxes	14	386		400		400
Prepaid expenses	47	36		83		83
Total current assets	2,709	2,027	--	4,736	--	4,736
Property, plant and equipment	2,298	1,826		4,124		4,124
Accumulated depreciation	(1,335)	(969)		(2,304)		(2,304)
	963	857	--	1,820	--	1,820
Other assets:						
Goodwill and other purchased intangibles	4,134	1,243	2,284 (a)	7,661	2,285 (a)	7,662
Prepaid retiree benefits cost, intangible pension asset and benefit trust fund	1,321	538		1,859		1,859
Other assets	227	184	55 (a)	466	55 (a)	466
	5,682	1,965	2,339	9,986	2,340	9,987
	$ 9,354	$4,849	$ 2,339	$16,542	$ 2,340	$16,543
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current liabilities:						
Notes payable and current portion of long term debt	$ 215	$ 137	$ --	$ 352	$ --	$ 352
Accounts payable	364	326		690		690
Accrued employees' compensation	341	241		582		582
Advances on contracts	412	242		654		654
Income taxes	652	65		717		717
Other current liabilities	454	477		931		931
Total current liabilities	2,438	1,488	--	3,926	--	3,926
Long-term debt	1,605	1,287	2,869 (a)	5,761	2,389 (a)	5,281
Accrued retiree benefits	1,095	302		1,397		1,397
Deferred tax and other long-term liabilities	411	227		638		638
Mandatorily redeemable preferred stock			300 (a)	300	350 (a)	350
Shareholders' equity:						
Paid in capital	1,177	399	316 (a)	1,892	747 (a)	2,323
Retained earnings	2,647	1,205	(1,205)(a)	2,647	(1,205)(a)	2,647
Accumulated other comprehensive loss	(19)	(59)	59 (a)	(19)	59 (a)	(19)
	3,805	1,545	(830)	4,520	(399)	4,951
	$ 9,354	$4,849	$ 2,339	$16,542	$ 2,340	$16,543

(See accompanying notes to Unaudited Pro Forma Condensed Combined Financial Statements)

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENTS OF OPERATIONS

Nine Months Ended September 30, 2000
($ in millions, except per share data)

	Northrop Grumman	Litton	Minimum Equity Issuance Pro Forma Adjustments	Minimum Equity Issuance Pro Forma Combined	Maximum Equity Issuance Pro Forma Adjustments	Maximum Equity Issuance Pro Forma Combined
Net sales	$5,389	$4,281	$ --	$9,670	$ --	$9,670
Cost of sales						
Operating costs	3,899	3,552	64 (b)	7,515	64 (b)	7,515
Administrative and general expenses	644	371	--	1,015	--	1,015
Operating margin	846	358	(64)	1,140	(64)	1,140
Interest expense	(135)	(77)	(167)(c)	(379)	(140)(d)	(352)
Other, net	45	13	--	58	--	58
Income from continuing operations before income taxes	756	294	(231)	819	(204)	846
Federal and foreign income taxes	275	118	(81)(e)	312	(71)(e)	322
Income from continuing operations	$ 481	$ 176	$(150)	$ 507	$(133)	$ 524
Less, dividends paid to preferred shareholders			(20)(f)	(20)	(24)(f)	(24)
Income available to common shareholders			$(170)	$ 487	(157)	$ 500
Average shares basic	70.1			78.2		83.1
Average shares diluted	70.3			79.3		84.2
Basic earnings per share:						
Continuing operations	$ 6.86			$ 6.23		$ 6.02
Diluted earnings per share:						
Continuing operations	$ 6.84			$ 6.14		$ 5.94

(See accompanying notes to Unaudited Pro Forma Condensed Combined Financial Statements)

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENTS OF OPERATIONS

Year ended December 31, 1999
($ in millions, except per share data)

	Northrop Grumman	Litton	Minimum Equity Issuance Pro Forma Adjustments	Minimum Equity Issuance Pro Forma Combined	Maximum Equity Issuance Pro Forma Adjustments	Maximum Equity Issuance Pro Forma Combined
Net sales	$7,616	$5,210	$ --	$12,826	$ --	$12,826
Cost of sales:						
Operating costs	5,634	4,307	85 (b)	10,026	85 (b)	10,026
Administrative and general expenses	1,028	517	--	1,545	--	1,545
Operating margin	954	386	(85)	1,255	(85)	1,255
Interest expense	(224)	(90)	(209)(c)	(523)	(178)(d)	(492)
Special Charges*	--	(81)	--	(81)	--	(81)
Other, net	17	(12)	--	5	--	5
Income from continuing operations before income taxes	747	203	(294)	656	(263)	687
Federal and foreign income taxes	273	83	(103)(e)	253	(92)(e)	264
Income from continuing operations	$ 474	$ 120	$(191)	$ 403	$(171)	$ 423
Less, dividends paid to preferred shareholders			(27)(f)	(27)	(32)(f)	(32)
Income available to common shareholders			$(218)	$ 376	$(203)	$ 391
Average shares basic	69.3			77.3		82.3
Average shares diluted	69.7			78.7		83.6
Basic earnings per share:						
Continuing operations	$ 6.84			$ 4.86		$ 4.75
Diluted earnings per share:						
Continuing operations	$ 6.80			$ 4.78		$ 4.68

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* Special Charges were primarily due to acceptance of plan to exit the mainframe outsourcing and professional services business.

(See accompanying notes to Unaudited Pro Forma Condensed Combined Financial Statements)

NOTES TO UNAUDITED PRO FORMA CONDENSED
COMBINED FINANCIAL STATEMENTS

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

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

(c) Adjustment to record interest on new financing for the acquisition of Litton: under the minimum equity issuance, a weighted average rate of 7.03 percent and an annualized weighted average of 7.54 percent was used, for the year ended December 31, 1999 and for the nine months ended September 30, 2000, respectively, plus the amortization of debt issuance costs.

(d) Adjustment to record interest on new financing for the acquisition of Litton: under the maximum equity issuance, a weighted average rate of 7.14 percent and an annualized weighted average of 7.53 percent was used, for the year ended December 31, 1999 and for the nine months ended September 30, 2000, respectively, plus the amortization of debt issuance costs.

(e) Adjustment to record income tax effects on pre-tax pro forma adjustments, using a statutory tax rate of 35 percent.

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

DESCRIPTION OF NNG CAPITAL STOCK

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

Authorized Capital Stock

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

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

Common Stock

Full Payment and Nonassessability

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

Voting Rights

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

Dividends

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

Liquidation

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

Rights Plan

For a description of the rights to acquire NNG preferred stock that are attached to shares of our common stock, see "Comparison of Stockholders' Rights--Rights Plan" on page 81.

Series B Preferred Stock

Conversion

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

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

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

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

Liquidation

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

Reacquired Shares

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

Full Payment and Nonassessability

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

Rank

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

Voting Rights

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

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

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

Dividends

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

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

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

Redemption

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

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

Change in Control

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

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

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

Transfer and Dividend Paying Agent and Registrar

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

COMPARISON OF STOCKHOLDERS' RIGHTS

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

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

Amendments to Certificate of Incorporation

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

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

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

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

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

Amendments to the NNG Bylaws and the Litton Restated Bylaws

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

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

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

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

Vote Required for Merger and Other Business Combinations

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

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

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

Directors

Classification of Board of Directors. A classified board is one with respect to which a designated number of directors, but not necessarily all, are elected on a rotating basis each year. Under the DGCL, classification of a board of directors is permitted but not required, pursuant to which the directors can be divided into as many as three classes with staggered terms of office, with only one class of directors standing for election each year. NNG's restated certificate of incorporation provides that the NNG board of directors be divided into three classes of directors as nearly equal in number as reasonably possible, with staggered three-year terms. Each director will serve until his or her successor is duly elected and qualified or until the director's death, resignation or removal. See "Removal of Directors" below.

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

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

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

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

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

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

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

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

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

Stockholders

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

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

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

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

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

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

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

- the amendment of specified provisions of the restated certificate of incorporation if proposed by the interested stockholder.

Litton does not have any special voting provisions beyond those described above for holders of Litton preferred stock. See "Description of NNG Capital Stock--Series B Preferred Stock--Voting Rights" beginning on page 75.

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

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

Stockholder Proposal Procedures. Under NNG's bylaws, for a matter to be properly brought before an annual meeting by a stockholder, the stockholder generally must have given timely notice thereof in writing to NNG's Secretary not less than 45 days nor more than 75 days prior to the anniversary date of the immediately preceding annual meeting. A stockholder's notice must state as to each matter the stockholder proposes to bring before the annual meeting: (a) a brief description of the matter desired to be brought, the reasons for conducting such business at the meeting, any material interest in such business of the stockholder and the beneficial owner, if any, on whose behalf the proposal is made, or (b) if the stockholder is nominating an individual as a director (i) information regarding the person whom the stockholder proposes to nominate as a director; (ii) the name and address of the stockholder proposing such action; (iii) the class and number of shares of NNG which are beneficially owned by the stockholder; and (iv) whether the stockholder intends to deliver a proxy statement and form of proxy to a sufficient number of holders of NNG's voting shares to elect such nominee.

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

Rights Plan

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

The NNG rights plan will contain provisions to permit the acquisition by Unitrin of NNG common stock (and NNG common stock issuable upon conversion of NNG preferred stock) as contemplated by the offer and the stockholder's agreement. See "Other Agreements--The Stockholder's Agreement" on page 61.

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

Litton has adopted a rights plan pursuant to which a preferred share purchase right is attached to each share of Litton common stock that is or becomes outstanding prior to August 17, 2004. The terms upon which the Litton rights become exercisable are identical to those for the NNG rights. Once exercisable, each Litton right will entitle the holder to purchase one one-thousandth of a share of Litton Series A participating preferred stock, par value $5.00 per share, at a price of $150.00 per one one-thousandth of a share, subject to adjustment. Under certain circumstances involving an acquisition of 15% or more of the Litton common stock outstanding, each Litton right will entitle its holder to purchase, at a 50% discount, a number of shares of Litton common stock having a market value of two times the exercise price of the Litton right. Litton may (i) exchange the Litton rights at an exchange ratio of one share of Litton common stock per Litton right, and (ii) redeem the Litton rights, at a price of $0.01 per Litton right, at any time prior to an acquisition of 15% or more of the

outstanding shares of Litton common stock by any person or group. Litton's board of directors has amended the Litton rights plan so that none of Northrop Grumman, NNG or LII Acquisition will be deemed an acquiring person.

SUMMARY OF CERTAIN STATUTORY PROVISIONS

Appraisal Rights

No appraisal rights are available in connection with the offer.

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

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

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

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

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

In the case of both a short-form merger and a long-form merger, a demand for appraisal must be executed by or for the stockholder of record, fully and correctly, as such stockholder's name appears on the stock certificates. If shares of Litton common stock and Litton preferred stock are owned of record in a fiduciary capacity, such as by a trustee, guardian or custodian, such demand must be executed by the fiduciary. If shares of Litton common stock or Litton preferred stock are owned of record by more than one person, as in a joint tenancy or tenancy in common, such demand must be executed by all joint owners. An authorized agent, including an agent for two or more joint owners, may execute the demand for appraisal for a stockholder of record; provided, however, the agent must identify the record owner and expressly disclose the fact that, in exercising the demand, he is acting as agent for the record owner.

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

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

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

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

requires consideration of all relevant factors involving the value of a company." The Delaware Supreme Court stated that in making this determination of fair value the court must consider "market value, asset value, dividends, earnings prospects, the nature of the enterprise and any other facts which were known or which could be ascertained as of the date of merger which throw any light on future prospects of the merged corporation." The Delaware Supreme Court has construed Section 262 to mean that "elements of future value, including the nature of the enterprise, which are known or susceptible of proof as of the date of the merger and not the product of speculation, may be considered." However, the court noted that Section 262 provides that fair value is to be determined "exclusive of any element of value arising from the accomplishment or expectation of the merger."

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

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

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

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

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

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

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

Certain Business Combinations

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

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

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

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

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

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

ADDITIONAL INFORMATION

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

Northrop Grumman and LII Acquisition also filed with the SEC an amendment to their statement on Schedule TO originally filed on January 5, 2001, as subsequently amended, pursuant to rule 14d-3 under the Securities Exchange Act of 1934, as amended, furnishing certain information about the offer. You may read and copy the Schedule TO and any amendments to it at the SEC's public reference rooms referred to above.

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

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

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

- Annual Report on Form 10-K for the fiscal year ended December 31, 1999;
- Proxy Statement for the Annual Meeting of Stockholders held on May 17, 2000;
- Quarterly Report on Form 10-Q for the period ended September 30, 2000, which each contain consolidated financial statements beginning on page 1 of the report;
- Current Report on Form 8-K filed July 24, 2000 and Current Report on From 8-K filed August 8, 2000 in connection with the restatement of Northrop's consolidated financial statements to reflect the sale of its Aerostructures business and the discontinuance of the Aerostructures operations; and

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

- Annual Report on Form 10-K for the fiscal year ended July 31, 2000;
- Proxy Statement for the Annual Meeting of Stockholders held on December 8, 2000;
- Quarterly Report on Form 10-Q for the period ended October 31, 2000; and
- Form 8-A12B/A filed on January 4, 2001, which amends and restates in their entirety Items 1 and 2 of Litton's registration statement on Form 8-A (File No. 001-03998), filed with the SEC on August 24,

1994, in connection with the amendment to the terms of the Rights Agreement, dated as of August 17, 1994 between Litton and The Bank of New York.

- Current Report on Form 8-K, filed January 30, 2001.

All documents filed by Northrop Grumman or Litton pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act of 1934 from the date of this offer to purchase or exchange to the date that Litton shares are accepted for exchange in the offer (or the date that the offer is terminated) and, if later, until the earlier of the date of the meeting of the Litton stockholders to approve the Litton merger and the date on which the Litton merger is consummated shall also be deemed to be incorporated in this offer to purchase or exchange by reference.

FORWARD-LOOKING STATEMENTS

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

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

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

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

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

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

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

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

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

See also "Important Considerations Concerning Elections to Receive NNG Stock" beginning on page 11. Readers are cautioned not to put undue reliance on forward-looking statements. NNG disclaims any intent or obligation to update these forward-looking statements, whether as a result of new information, future events or otherwise.

LEGAL MATTERS

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

EXPERTS

The consolidated financial statements as of December 31, 1999 and 1998 and for each of the three years in the period ended December 31, 1999 and the related financial statement schedule incorporated in this offer to purchase or exchange by reference from Northrop Grumman Corporation's Current Report on Form 8-K dated August 8, 2000 have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report, which is incorporated herein by reference, and have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

With respect to the unaudited interim financial information as of March 31, 2000, June 30, 2000, and September 30, 2000 and for the periods ended March 31, 2000 and 1999, June 30, 2000 and 1999, and September 30, 2000 and 1999 which is incorporated herein by reference, Deloitte & Touche LLP have applied limited procedures in accordance with professional standards for a review of such information. However, as stated in their report included in Northrop Grumman Corporation's Current Report on Form 8-K dated August 8, 2000 for the quarter ended March 31, 2000 and Northrop Grumman Corporation's Quarterly Reports on Form 10-Q for the quarters ended June 30, 2000 and September 30, 2000 and incorporated by reference herein, they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their reports on such information should be restricted in light of the limited nature of the review procedures applied. Deloitte & Touche LLP are not subject to the liability provisions of Section 11 of the Securities Act of 1933 for their report on the unaudited interim financial information because those reports are not "reports" or a "part" of the registration statement prepared or certified by an accountant within the meaning of Sections 7 and 11 of the Act.

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

ANNEX A

DIRECTORS AND EXECUTIVE OFFICERS

Directors And Executive Officers Of Northrop Grumman and NNG

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

DIRECTORS
(including executive officers who are directors)

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

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

Name	Age	Present Principal and Five Year Employment History
Vic Fazio*.....	58	Senior Partner, Clark & Weinstock, a consulting firm. Vic Fazio served as a Member of Congress for twenty years representing California's third congressional district. During that time he served as a member of the Armed Services, Budget and Ethics Committees and was a member of the House Appropriations Committee where he served as Subcommittee Chair or ranking member for eighteen years. Mr. Fazio was a member of the elected Democratic Leadership in the House from 1991-1998 including four years as Chair of the Democratic Caucus, the third ranking position in the party. From 1975 to 1978 Mr. Fazio served in the California Assembly and was a member of the staff of the California Assembly Speaker from 1971 to 1975. Upon leaving Congress in early 1999, he became a Senior Partner at Clark & Weinstock, a strategic communications consulting firm. He is a member of numerous boards including The California Institute, Coro National Board of Governors, the U.S. Capitol Historical Society and the Board of Visitors, The University of California at Davis.
Phillip Frost*.....	64	Chairman of the Board and Chief Executive Officer, IVAX Corporation, a pharmaceutical company. Dr. Phillip Frost has served as Chairman of the Board of Directors and Chief Executive Officer of IVAX Corporation since 1987. He was Chairman of the Department of Dermatology at Mt. Sinai Medical Center of Greater Miami, Miami Beach, Florida from 1972 to 1990. Dr. Frost was Chairman of the Board of Directors of Key Pharmaceuticals, Inc. from 1972 to 1986. He is Chairman of Whitman Education Group and Vice Chairman of the Board of Directors of Continucare Corporation. He is also a Trustee of the Board of the University of Miami and a member of the Board of Governors of the American Stock Exchange.
Charles R. Larson*.....	64	Admiral, United States Navy (Ret.). Charles R. Larson was superintendent of the U.S. Naval Academy from 1983 to 1986. In 1991, he became senior military commander in the Pacific. He returned to the U.S. Naval Academy in 1994, where he served as superintendent until 1998. Currently, he is Chairman of the Board of the U.S. Naval Academy Foundation, Vice Chairman of the Board of Regents of the University System of Maryland and serves on the board of directors of such organizations as Constellation Energy Group, Inc., the White House Fellows Foundation, Edge Technologies, Inc., Fluor Global Services, the Atlantic Council, Military.com and the National Academy of Sciences' Committee on International Security and Arms Control. In addition, he is a member of the Council on Foreign Relations and is a senior fellow of The CNA Corporation. His decorations include the Defense Distinguished Service Medal, seven Navy Distinguished Service Medals, three Legions of Merit, Bronze Star Medal, Navy Commendation and the Navy Achievement Medal.

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

Name	Age	Present Principal and Five Year Employment History
Richard M. Rosenberg*...	70	Chairman of the Board and Chief Executive Officer (Ret.), BankAmerica Corporation and Bank of America NT&SA. Richard M. Rosenberg was the Chairman of the Board and Chief Executive Officer of BankAmerica Corporation ("BAC") and Bank of America ("BofA") from 1990 to 1996. He had served as President since February 1990 and as Vice Chairman of the Board and a director of BAC and the BofA since 1987. Before joining BAC, Mr. Rosenberg served as President and Chief Operating Officer of Seafirst Corporation and Seattle-First National Bank, which he joined in 1986. Mr. Rosenberg is a retired Commander in the U.S. Navy Reserve, a director of Airborne Express Corporation, SBC Communications, Chronicle Publishing, Pacific Life Insurance Company, and Bank of America Corporation and a member of the Board of Trustees of the California Institute of Technology.
John Brooks Slaughter*..	67	President and CEO of the National Action Council for Minorities in Engineering, Inc. Dr. John Brooks Slaughter held electronics engineering positions with General Dynamics Convair and the U.S. Navy Electronics Laboratory. In 1975, he became Director of the Applied Physics Laboratory of the University of Washington. In 1977, he was appointed Assistant Director for Astronomics, Atmospherics, Earth and Ocean Sciences at the National Science Foundation. From 1979 to 1980, he served as Academic Vice President and Provost of Washington State University. In 1980, he returned to the National Science Foundation as Director and served in that capacity until 1982 when he became Chancellor of the University of Maryland, College Park. From 1988 to July 1999, Dr. Slaughter was President of Occidental College in Los Angeles and in August 1999, he assumed the position of Melbo Professor of Leadership in Education at the University of Southern California. In June 2000, Dr. Slaughter was named President and CEO of the National Action Council for Minorities in Engineering, Inc. He is a member of the National Academy of Engineering, a fellow of the American Academy of Arts and Sciences and serves as a director of Avery Dennison Corporation, Solutia, Inc. and International Business Machines Corporation.
Richard J. Stegemeier*..	73	Chairman Emeritus of the Board of Directors, Unocal Corporation, an integrated petroleum company. Richard J. Stegemeier joined Union Oil Company of California, principal operating subsidiary of Unocal Corporation ("Unocal"), in 1951. He became President and Chief Operating Officer of Unocal in 1985, and President and Chief Executive Officer in 1988. In 1989 he was elected Chairman of the Board of Unocal, the position from which he retired in 1995. Mr. Stegemeier is a member of the National Academy of Engineering and a director of Foundation Health Systems, Inc., Halliburton Company, Sempra Energy and Montgomery Watson, Inc.
Herbert W. Anderson.....	61	Mr. Anderson has been Corporate Vice President of Northrop Grumman and President and Chief Executive Officer, Logicon, Inc. since 1998. Mr. Anderson also became Corporate Vice President of NNG in January 2001. Prior to this, Mr. Anderson was Corporate Vice President and General Manager, Data Systems and Services Division.

Name	Age	Present Principal and Five Year Employment History
Ralph D. Crosby, Jr.....	53	Mr. Crosby has been Corporate Vice President of Northrop Grumman and President, Integrated Systems and Aerostructures Sector since 1998. Prior to this, Mr. Crosby was Corporate Vice President and General Manager, Commercial Aircraft Division. Prior to September 1996, he was Corporate Vice President and Deputy General Manager, Commercial Aircraft Division. Prior to March 1996, he was Corporate Vice President and Deputy General Manager, Military Aircraft Systems Division. Prior to January 1996, he was Corporate Vice President and General Manager, B-2 Division. Mr. Crosby also became Vice President of NNG in January 2001.
J. Michael Hateley.....	54	Mr. Hateley has been Corporate Vice President and Chief Human Resources Administrative Officer of Northrop Grumman since 2000. Prior to January 1999, Mr. Hateley was Vice President, Human Resources, Security and Administration Military Aircraft Systems Division. Prior to 1996, he was Vice President, Human Resources, Security and Administration, B-2 Division. Mr. Hateley also became Corporate Vice President and Chief Human Resources Administrative Officer of NNG in January 2001.
Robert W. Helm.....	49	Mr. Helm has been Corporate Vice President, Government Relations of Northrop Grumman since 1994. Mr. Helm also became Corporate Vice President of NNG in January 2001.
John H. Mullan.....	58	Mr. Mullan has been Corporate Vice President and Secretary of Northrop Grumman since 1999. Prior to this, Mr. Mullan was Acting Secretary. Prior to May 1998, he was Senior Corporate Counsel. Mr. Mullan also became Corporate Vice President, Secretary and Associate General of NNG in January 2001.
Albert F. Myers.....	55	Mr. Myers has been Corporate Vice President and Treasurer of Northrop Grumman since 1994. Mr. Myers also became Corporate Vice President and Treasurer of NNG in January 2001.
Rosanne P. O'Brien.....	57	Ms. O'Brien has been Corporate Vice President, Communications of Northrop Grumman since August 2000. Prior to this, Ms. O'Brien was Vice President, Communications since January 1999. Ms. O'Brien was Senior Consultant to Alleghany Teledyne, Inc. from 1996 to 1999, and Vice President, Corporate Relations for Teledyne, Inc. from 1993 through 1995.
James G. Roche.....	61	Mr. Roche has been Corporate Vice President of Northrop Grumman and President, Electronic Sensors and Systems Sector since 1998. Prior to this, Mr. Roche was Corporate Vice President and General Manager, Electronic Sensors and Systems Division. Prior to 1996, he was Corporate Vice President and Chief Advanced Development, Planning, and Public Affairs Officer. Mr. Roche also became Corporate Vice President of NNG in January 2001.
W. Burks Terry.....	50	Mr. Terry has been Corporate Vice President and General Counsel of Northrop Grumman since August 2000. Prior to this, Mr. Terry became Vice President, Deputy General Counsel and Sector Counsel in October 1998 and prior to October, 1998 he was Vice President and Assistant General Counsel. Mr. Terry also became Corporate Vice President and General Counsel of NNG in January 2001.

Name	Age	Present Principal and Five Year Employment History
Robert B. Spiker.....	47	Mr. Spiker has been Corporate Vice President and Controller of Northrop Grumman since December 2000. Prior to this, Mr. Spiker was Vice President, Finance and Controller, Electronic Sensors and Systems Sector. Prior to 1999, he was Business Manager for C3&I Naval Systems. Mr. Spiker also became Corporate Vice President and Controller of NNG in January 2001.
Richard B. Waugh, Jr...	57	Mr. Waugh has been Corporate Vice President and Chief Financial Officer of Northrop Grumman since 1993. Mr. Waugh also became Chief Financial Officer of NNG in January 2001.

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

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

ANNEX B

Section 262. Appraisal rights

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

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

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

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

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

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

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

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

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

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

(d) Appraisal rights shall be perfected as follows:

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

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

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

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

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

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

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

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

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

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

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

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

The Depositary for the offer is:

EQUISERVE TRUST COMPANY

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

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

Confirm by Telephone:
(781) 575-4816

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

The Information Agent for the offer is:

[LOGO OF GEORGESON SHAREHOLDER COMMUNICATIONS INC.]

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

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

The Dealer Manager for the offer is:

Salomon Smith Barney

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

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

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

ITEM 20. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

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

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

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

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

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

ITEM 21. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Exhibits

Exhibit Number	Description of Exhibits
2.1	Agreement and Plan of Merger dated as of December 21, 2000 among Northrop Grumman Corporation, Litton Industries, Inc. and LII Acquisition Corp., filed as exhibit (d)(1) to the Tender Offer Statement on Schedule TO (the "Schedule TO") filed with the SEC on January 5, 2001 and incorporated herein by reference.
2.2	Amended and Restated Agreement and Plan of Merger dated as of January 23, 2001, among Northrop Grumman Corporation, Litton Industries, Inc., NNG, Inc. and LII Acquisition Corp.
3.1	Amended and Restated Certificate of Incorporation of NNG, Inc.
3.2	Restated Bylaws of NNG, Inc.
4.1	Registration Rights Agreement dated as of January 23, 2001 by and among Northrop Grumman Corporation, NNG, Inc. and Unitrin, Inc., filed as exhibit (d)(6) to Amendment No. 4 to the Schedule TO filed with the SEC on January 31, 2001 and incorporated herein by reference.
4.2	Form of Certificate of Designations, Preferences and Rights of Series B Preferred Stock of Northrop Grumman Corporation.
*5.1	Opinion of John H. Mullan as to the legality of the securities.
8.1	Opinion of Gibson, Dunn & Crutcher LLP regarding certain tax matters.
8.2	Opinion of Ivins, Phillips & Barker Chartered regarding certain tax matters.
10.1	Stockholder's Agreement dated as of January 23, 2001 among Northrop Grumman Corporation, NNG, Inc. and Unitrin, Inc., including form of Stockholder Subsidiary Proxy, filed as exhibit (d)(5) to Amendment No. 4 to the Schedule TO filed with the SEC on January 31, 2001 and incorporated herein by reference.
10.2	Employment Agreement with Dr. Sugar, filed as exhibit 99(e)(7) to the Solicitation/Recommendation Statement on Schedule 14D-9 filed with the SEC by Litton on January 5, 2001 and incorporated herein by reference.
10.3	Form of Change of Control Employment Agreement of Litton Industries, Inc.
10.4	Confidentiality Agreement dated June 23, 2000, between Northrop Grumman Corporation and Litton Industries, Inc., filed as exhibit (d)(2) to the Schedule TO filed with the SEC on January 5, 2001 and incorporated herein by reference.
10.5	$6,000,000,000 Senior Credit Facilities Commitment Letter dated January 30, 2001, from Credit Suisse First Boston, The Chase Manhattan Bank and J.P. Morgan, filed as exhibit (b)(ii) to the Schedule TO filed with the SEC on February 1, 2001 and incorporated herein by reference.
12.1	Statement regarding computation of earnings to fixed charges ratio.
15.1	Letter from Independent Accountants Regarding Unaudited Interim Financial Information.
23.1	Consent of Deloitte & Touche LLP.
23.2	Consent of Deloitte & Touche LLP.
*23.3	Consent of John H. Mullan (included in opinion filed as Exhibit 5.1).
23.4	Consent of Gibson, Dunn & Crutcher LLP (included in its opinion filed as Exhibit 8.1).
23.5	Consent of Ivins, Phillips & Barker Chartered (included in its opinion filed as Exhibit 8.2).
24.1	Power of Attorney for Northrop Grumman Corporation and NNG, Inc.

Exhibit Number	Description of Exhibits
24.2	Power of Attorney for Kent Kresa.
24.3	Power of Attorney for Richard B. Waugh, Jr.
24.4	Power of Attorney for Jack R. Borsting.
24.5	Power of Attorney for John T. Chain, Jr.
24.6	Power of Attorney for Vic Fazio.
24.7	Power of Attorney for Phillip Frost.
24.8	Power of Attorney for Charles R. Larson.
24.9	Power of Attorney for Robert A. Lutz.
24.10	Power of Attorney for Aulana L. Peters.
24.11	Power of Attorney for John E. Robson.
24.12	Power of Attorney for Richard M. Rosenberg.
24.13	Power of Attorney for Richard J. Stegemeier.
24.14	Power of Attorney for John Brooks Slaughter.
99.1	Letter of Transmittal, Common Stock and Preferred Stock, each dated February 1, 2001, filed as exhibit (a)(1)(vi) Amendment No. 5 to the Schedule TO filed with the SEC on February 1, 2001 and incorporated herein by reference.
99.2	Notice of Guaranteed Delivery, Common Stock and Preferred Stock, each dated February 1, 2001, filed as exhibit (a)(1)(vii) to Amendment No. 5 to the Schedule TO filed with the SEC on February 1, 2001 and incorporated herein by reference.
99.3	Notice to Participants in the Litton Industries Employee Stock Purchase Plan prior to December 1, 1993, dated February 1, 2001 and filed as exhibit (a)(1)(iv) to Amendment No. 5 to the Schedule TO filed with the SEC on February 1, 2001 and incorporated by reference.
99.4	Notice to Participants in the Litton Industries Employee Stock Purchase Plan after November 1, 1994, dated January 5, 2001, filed as exhibit (a)(1)(ix) to Amendment No. 5 to the Schedule TO filed with the SEC on February 1, 2001 and incorporated by reference.
99.5	Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees, dated February 1, 2001, filed as exhibit (a)(5)(x) to Amendment No. 5 to the Schedule TO filed with the SEC on February 1, 2001 and incorporated herein by reference.
99.6	Letter to Clients, Common Stock and Preferred Stock, each dated February 1, 2001, filed as exhibit (a)(5)(xi) to Amendment No. 5 to the Schedule TO filed with the SEC on February 1, 2001 and incorporated herein by reference.
99.7	Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9, filed as exhibit (a)(5)(xii) to Amendment No. 5 to the Schedule TO filed with the SEC on February 1, 2001 and incorporated by reference.

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* to be filed by amendment

Exhibit Number	Description of Exhibits
99.5	Notice to Participants in the Litton Industries Employee Stock Purchase Plan prior to December 1, 1993 dated February 1, 2001, filed as an exhibit to Amendment No. 5 to the Tender Offer Statement on Schedule TO filed with the SEC on February 1, 2001 and incorporated herein by reference.
99.6	Notice to Participants in the Litton Industries Employee Stock Purchase Plan prior to November 1, 1994 dated February 1, 2001, filed as an exhibit to Amendment No. 5 to the Tender Offer Statement on Schedule TO filed with the SEC on February 1, 2001 and incorporated herein by reference.
99.7	Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9, filed as an exhibit to Amendment No. 5 to the Tender Offer Statement on Schedule TO filed with the SEC on February 1, 2001 and incorporated herein by reference.

ITEM 22. UNDERTAKINGS.

(a) The undersigned registrant hereby undertakes:

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

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

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

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

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

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

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

(c) The undersigned registrant hereby undertakes as follows: that prior to any public reoffering of the securities registered hereunder through use of a prospectus which is a part of this registration statement, by a person or party who is deemed to be an underwriter within the meaning of Rule 145(c), the issuer undertakes

that such reoffering prospectus will contain the information called for by the applicable registration form with respect to reofferings by persons who may be deemed underwriters, in addition to the information called for by the other items of the applicable form.

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

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

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

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

SIGNATURES

Pursuant to the requirements of the Securities Act, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Los Angeles, State of California, on February 1, 2001.

NNG, INC.

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

POWER OF ATTORNEY

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

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

Signature	Title	Date
*	Chairman of the Board, President and Chief Executive Officer and Director (Principal Executive Officer)	February 1, 2001
Kent Kresa		
*	Corporate Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	February 1, 2001
Richard B. Waugh, Jr.		
*	Director	February 1, 2001
Jack R. Borsting		
*	Director	February 1, 2001
John T. Chain, Jr.		

Signature	Title	Date
*	Director	February 1, 2001
Vic Fazio		
*	Director	February 1, 2001
Phillip Frost		
*	Director	February 1, 2001
Charles R. Larson		
*	Director	February 1, 2001
Robert A. Lutz		
*	Director	February 1, 2001
Aulana L. Peters		
*	Director	February 1, 2001
John E. Robson		
*	Director	February 1, 2001
Richard M. Rosenberg		
*	Director	February 1, 2001
John Brooks Slaughter		
*	Director	February 1, 2001
Richard J. Stegemeier		
*By: /s/ John H. Mullan		
John H. Mullan, Attorney-in-fact		

EXHIBIT 2.2

Amended and Restated Agreement and Plan of Merger

Dated as of January 23, 2001

among

Northrop Grumman Corporation,

Litton Industries, Inc.,

NNG, Inc.

and

LII Acquisition Corp.

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TABLE OF DEFINED TERMS

AMENDED AND RESTATED AGREEMENT AND PLAN OF MERGER

THIS AMENDED AND RESTATED AGREEMENT AND PLAN OF MERGER (this "Agreement") dated as of January 23, 2001 is among LITTON INDUSTRIES, INC., a Delaware corporation (the "Company"), NORTHROP GRUMMAN CORPORATION, a Delaware corporation ("Parent"), NNG, Inc., a Delaware corporation and a wholly owned subsidiary of Parent ("Holdco") and LII ACQUISITION CORP., a Delaware corporation and a wholly owned subsidiary of Holdco ("Acquisition I"), and amends and restates in its entirety that certain Agreement and Plan of Merger, dated as of December 21, 2000, among the Company, Parent and Acquisition I (the "Original Agreement").

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, on January 5, 2001, Acquisition I commenced a tender 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 (this offer being referred to herein as the "Original Offer");

WHEREAS, the parties hereto have agreed pursuant to this Agreement that the Original Offer will be amended with respect to the Shares (and remain unchanged with respect to the Preferred Shares) to become an exchange offer by Holdco (the Original Offer as so amended, the "Offer") in which each Share together with the associated Right accepted by Holdco in accordance with the terms of the Offer will be exchanged for the right to receive from Holdco, at the election of the holder of such Share: (X) the Per Share Amount, net to the Seller in cash (the "Cash Consideration") or (Y) a number of shares of the common stock, par value $1.00 per share, of Holdco (the "Holdco Common Stock") equal to the Per Share Amount plus $.25 divided by the Average Parent Price (the "Common Stock Consideration") plus cash in lieu of fractional shares of Holdco Common Stock in accordance with Section 1.1(g) or (Z) a number of shares of Series B Convertible Preferred Stock, par value $1.00 per share, of Holdco (the "Holdco Preferred Stock") equal to the quotient of the Per Share Amount divided by the initial liquidation preference per share of the Holdco Preferred Stock (the "Preferred Stock Consideration") plus cash in lieu of fractional shares of Holdco Preferred Stock in accordance with Section 1.1(g), subject to proration in the case of alternatives (Y) and (Z) as set forth in Sections 1.1(d) and 1.1(e). The term "Average Parent Price" shall mean the average of the closing prices for Parent Common Stock as reported on the New York Stock Exchange

Composite Transaction Reporting System for the five consecutive trading days ending on the second trading day before the final Expiration Date.

WHEREAS, the Company has agreed pursuant to this Agreement that following the purchase of Shares in the Offer Acquisition I will be merged with and into the Company with the Company as the surviving corporation, as described in Article 2 of this Agreement (the "Litton Merger"), and Parent has agreed that immediately prior to the purchase of Shares and Preferred Shares in the Offer, NGC Acquisition Corp., a Delaware corporation and wholly owned subsidiary of Holdco ("Acquisition II"), will be merged with and into Parent with Parent as the surviving corporation pursuant to the Agreement and Plan of Merger attached as Exhibit A to this Agreement (the "Northrop Merger Agreement") and in accordance with Section 251(g) of the Delaware General Corporation Law ("DGCL") (the "Northrop Merger" and together with the Litton Merger, the "Mergers");

WHEREAS, concurrently with the consummation of the Northrop Merger, Holdco will be renamed "Northrop Grumman Corporation" and will become the parent corporation of Parent, as further described in Article 2 of this Agreement and in the Northrop Merger Agreement; and

WHEREAS, it is intended for federal income tax purposes that (i) the Northrop Merger qualify as a reorganization described in Section 368(a) of the United States Internal Revenue Code of 1986, as amended (the "Code"), or, taken together with the Offer and the Litton Merger, qualify as an exchange described in Section 351 of the Code and (ii) the Offer, taken together with the Northrop Merger and the Litton Merger, qualify as an exchange described in Section 351 of the Code.

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, Holdco and Acquisition I 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, Parent shall cause Acquisition I and Holdco to amend the Original Offer not later than February 1, 2001 as required to reflect the revised terms and conditions set forth in this Agreement, including Holdco as the Offeror. In the Offer, each Share together with the associated Right accepted by Holdco in accordance with the terms of the Offer shall be exchanged for the right to receive from Holdco, at the election of the holder of such Share: (X) the Cash Consideration or (Y) the Common Stock Consideration plus cash in lieu of fractional shares of Holdco Common Stock in accordance with Section 1.1(g), without interest, or (Z) the Preferred Stock Consideration plus cash in lieu of fractional shares of Holdco

Preferred Stock in accordance with Section 1.1(g), without interest, subject to proration in the case of alternatives (Y) and (Z) as set forth in Sections 1.1(d) and (e). In the Offer, each Preferred Share accepted by Holdco in accordance with the terms of the Offer shall be exchanged for the right to receive the Per Preferred Share Amount. Parent and Holdco shall use all reasonable efforts to consummate the Offer. Parent shall cause Holdco to accept for payment, and Holdco 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 offering period in the Offer at which all conditions to the Offer shall have been satisfied or waived by Holdco. The obligation of Holdco 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 25,646,399 shares (the "Minimum Condition") and the other conditions set forth in Annex A hereto. Holdco expressly reserves the right to increase the Per Share Amount or the Per Preferred Share Amount and to waive any condition of the Offer, except the Minimum Condition. Without the prior written consent of the Company, Holdco 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 Cash Consideration 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 the 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) Subject to Sections 1.1(d), (e) and (f), each holder of Shares shall be entitled to elect to specify (i) the number of Shares which such holder desires to have exchanged for the right to receive the Cash Consideration (a "Cash Election"), (ii) the number of Shares which such holder desires to have exchanged for the right to receive Holdco Common Stock (a "Common Stock Election"); and (iii) the number of Shares which such holder desires to have exchanged for Holdco Preferred Stock (a "Preferred Stock Election" and together with a Common Stock Election, the "Stock Elections"). Any Shares which are not the subject of a valid Common Stock Election or valid Preferred Stock Election shall be exchanged for the right to receive the Cash Consideration. Any Cash Election, Common Stock Election or Preferred Stock Election shall be referred to herein as an "Election." Each holder of Shares making a Preferred Stock Election shall also specify an Alternative A, Alternative B or Alternative C election, which election will become effective in the event that proration of the Preferred Stock Consideration is required as provided in Section 1.1(d). Each holder of Shares making a Common Stock Election shall also specify an Alternative A or Alternative B election which election will become effective in the event that proration of the Common Stock Consideration is required as provided in Section 1.1(e) and any holder making a Common Stock Election that does not specify an alternative election shall be deemed to have elected Alternative B. All Elections shall be made on a form furnished by Parent for that purpose (a "Form of Election"), which form may be part of the letter of transmittal accompanying the Offer, and reasonably satisfactory to the Company. Holders of

record of Shares who hold such Shares as nominees, trustees or in other representative capacities may submit multiple Forms of Election on behalf of their respective beneficial holders.

(c) There shall be no proration of Cash Elections.

(d) In the event the total number of Preferred Stock Elections would require aggregate Preferred Stock Consideration in excess of the Maximum Preferred Stock Consideration, such Preferred Stock Elections shall be subject to proration as follows: For each Preferred Stock Election, the number of Shares that shall receive the Preferred Stock Consideration shall be the total number of Shares subject to such Preferred Stock Election multiplied by the Preferred Stock Proration Factor. The "Preferred Stock Proration Factor" means a fraction (x) the numerator of which shall be the Maximum Preferred Stock Consideration and (y) the denominator of which shall be the product of the aggregate number of Shares subject to all Preferred Stock Elections made by all holders of Shares multiplied by the Preferred Stock Consideration. The maximum aggregate amount of the Preferred Stock Consideration shall be 3,500,000 shares of Holdco Preferred Stock (the "Maximum Preferred Stock Consideration"). All Shares subject to a Preferred Stock Election and an Alternative A or Alternative B election, other than that number converted into the right to receive the Preferred Stock Consideration in accordance with this Section 1.1(d), shall be deemed to be Common Stock Elections (expressing the same Alternative A or Alternative B election) and converted into the right to receive the Common Stock Consideration, subject to proration as provided in Section 1.1(e). All shares subject to a Preferred Stock Election and an Alternative C election, other than that number converted into the right to receive the Preferred Stock Consideration in accordance with this Section 1.1(d), shall be deemed to be Cash Elections and converted into the right to receive the Cash Consideration.

(e) In the event the total number of Common Stock Elections (including any deemed Common Stock Elections as provided for in Section 1.1(d)) would require aggregate Common Stock Consideration in excess of the Maximum Common Stock Consideration, such Common Stock Elections shall be subject to proration as follows: (i) First, the Common Stock Elections made by the holders of Shares making an Alternative A election for proration on their Form of Election for the Common Stock Election shall be reduced by the lesser of (A) the number of Shares subject thereto, and (B) the number of Common Stock Elections required to eliminate such excess treating all Alternative A elections on a pro rata basis based on the number of Shares subject thereto. (ii) Second, if the number of Common Stock Elections is still in excess of the Maximum Common Stock Consideration, then for each Common Stock Election made by the holder of Shares making an Alternative B election for proration on their Form of Election for the Common Stock Election, the number of Shares that shall be converted into the right to receive the Common Stock Consideration shall be the total number of Shares subject to such Common Stock Election multiplied by the Common Stock Proration Factor. The "Common Stock Proration Factor" means a fraction (x) the numerator of which shall be the Maximum Common Stock Consideration and (y) the denominator of which shall be the product of the aggregate number of Shares subject to all Common Stock Elections which are Alternative B elections multiplied by the Common Stock Consideration. (iii) All Shares subject to Common Stock Elections, after the reduction required by clause (i) above, if applicable, and subject to proration in accordance with clause (ii) above, if applicable, shall be converted into the right to receive the

Common Stock Consideration. The maximum aggregate amount of the Common Stock Consideration shall be 13,000,000 shares of Holdco Common Stock (such amount or any lesser amount specified in accordance with Section 1.1(f) being referred to as the "Maximum Common Stock Consideration"); provided, however, in no event
shall the Maximum Common Stock Consideration exceed the number of shares of Holdco Common Stock that Holdco would be permitted to issue without a vote of Parent or Holdco stockholders pursuant to applicable law or the rules of any national securities exchange. All Shares subject to an actual or deemed Common Stock Election, other than that number converted into the right to receive the Common Stock Consideration in accordance with this Section 1.1(e), shall be converted into the right to receive the Cash Consideration.

(f) In the event that the average of the closing prices for Parent Common Stock as reported on the New York Stock Exchange Composite Transaction Reporting System for any five consecutive trading days ending not later than two trading days prior to the Expiration Date (without giving effect to any extension resulting from the exercise of the option described in this Section 1.1(f)) is less than $75.00, Holdco shall have the option, which may be exercised only one time and must be exercised within two business days after any such five trading day period, to reduce the Maximum Common Stock Consideration by any number of shares of Holdco Common Stock. If Holdco exercises such option: (i) such exercise shall be irrevocable; (ii) Holdco shall publicly announce within one business day following such exercise the new Maximum Common Stock Consideration; and (iii) if such reduction in the Holdco Common Stock in the Offer would, pursuant to the applicable rules and regulations under the Exchange Act, require an extension of the Expiration Date, (x) Holdco shall extend the Expiration Date for the minimum required period and publicly announce within one business day the new Expiration Date and (y) Holdco agrees to waive, and shall be deemed to have waived, from and after the Expiration Date prior to the extension thereof the conditions specified in the initial paragraph of Annex A hereof under clauses (v)(b), (c), (d) (with respect to a termination by Parent or Acquisition I pursuant to Section 7.1(d)(i)) and (e)(i).

(g) No fractional share of Holdco Common Stock or Holdco Preferred Stock shall be issued, and each person that would otherwise be entitled to receive a fractional share shall receive, in lieu thereof, without interest, cash in the amount of such fraction multiplied by the Average Parent Price (in the case of Holdco Common Stock) or $100.00 (in the case of Holdco Preferred Stock).

(h) Not later than February 1, 2001, Holdco (or Parent on behalf of Holdco which shall become the successor registrant to Parent under the Securities Act of 1933, as amended (the "Securities Act") upon consummation of the Northrop Merger) shall prepare and file with the Securities and Exchange Commission (the "SEC") a registration statement on Form S-4 to register under the Securities Act the offer and sale of Holdco Common Stock and the Holdco Preferred Stock pursuant to the Offer (the "S-4"). The S-4 will include a preliminary prospectus containing the information required under Rule 14d-4(b) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act") (the "Preliminary Prospectus"). Concurrently with the filing of the S-4, Acquisition I shall file with the SEC an amendment to its previously filed Tender Offer Statement on Schedule TO with respect to the Original Offer, which shall include or incorporate by reference all or part of the Preliminary Prospectus and

form of transmittal letter reflecting the Offer and describing the Mergers (together with any supplements or amendments thereto, collectively the "Offer Documents"). Promptly thereafter, Parent and Holdco shall cause the Offer Documents to be disseminated to holders of Shares and Preferred Shares. 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, Holdco and Acquisition I for use in the S-4 or 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, Holdco, Acquisition I and the Company each agrees promptly to correct any information provided by it for use in the S-4 or the Offer Documents if and to the extent that it shall have become false or misleading in any material respect and Holdco 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.

(i) Subject to the terms and conditions thereof, the Offer shall remain open until at least midnight, New York City time, on the twentieth business day following the filing of the S-4 and the amendment to the Tender Offer Statement on Schedule TO (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
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Company Board, Holdco 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; or (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. Parent agrees to cause Holdco to extend the Offer from time to time in accordance with this Section 1.1(i) 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 Holdco shall comply with the obligations respecting prompt payment and announcement under the Exchange Act, and, without limiting the generality of the foregoing, Holdco shall, and Parent shall cause Holdco 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 deems 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 Stockholder's Agreements, dated as of the date hereof, among Parent, Holdco, Acquisition I,

Unitrin, Inc. (the "Stockholder's Agreement"), the Offer and the Litton Merger, in all respects and such approval constitutes approval of the Stockholder's Agreement in the form attached hereto as Exhibit D, the Offer, this Agreement and the Litton Merger for purposes of Section 203 of the DGCL and (iii) resolved to recommend that the common stockholders of the Company accept the Offer, tender their Shares thereunder to Holdco and that the stockholders of the Company approve and adopt this Agreement and the Litton 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 consideration to be received by the common stockholders of the Company pursuant to the Offer and the Litton 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 I of the amendment to their Offer Documents pursuant to Section 1.1(h), an amendment to its 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). 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, Holdco, or Acquisition I in writing for inclusion in the Schedule 14D-9. The Company, Parent, Holdco, and Acquisition I 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, Holdco, and Acquisition I 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 I with such additional information and assistance (including, without limitation, updated lists of stockholders, mailing labels and lists of securities positions) as Acquisition I 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 Mergers, Parent, Acquisition I 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 Mergers, 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 and Committees; Section 14(f).

(a) Promptly upon the purchase by Holdco of Shares pursuant to the Offer and from time to time thereafter, and subject to the last sentence of this Section 1.3(a), Holdco 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 Holdco 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 Holdco, 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 Holdco's designees to be elected to the Company Board and to cause Holdco's designees to be so elected. At such times, the Company will use its best efforts to cause persons designated by Holdco 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 I 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 Holdco'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 Parent, Holdco or Acquisition I 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, Holdco or Acquisition I), will require the concurrence of a majority of such directors.

ARTICLE 2

THE MERGERS

SECTION 2.1. The Mergers. Upon the terms and subject to the conditions of this Agreement and in accordance with the DGCL, (a) immediately prior to the purchase of Shares and Preferred Shares in the Offer and upon the terms and subject to the conditions set forth in the Northrop Merger Agreement in accordance with Section 251(g) of the DGCL, Acquisition II shall be merged with and into Parent in the Northrop Merger and (b) at the Effective Time, Acquisition I shall be merged with and into the Company in the Litton Merger. Following the Northrop Merger, Parent shall continue its corporate existence under the laws of the State of Delaware as the surviving corporation of the Northrop Merger (the "Northrop Surviving Corporation") and a wholly owned subsidiary of Holdco and the separate corporate existence of Acquisition II shall cease. Following the Litton Merger, the Company shall continue its corporate existence under the laws of the State of Delaware as the surviving corporation of the Litton Merger (the "Litton Surviving Corporation") and a subsidiary of Holdco and the separate corporate existence of Acquisition I shall cease.

SECTION 2.2. Effective Time. The term "Effective Time" shall mean the time and date of the filing of a properly executed and certified certificate of merger relating to the Litton Merger with the Secretary of State of the State of Delaware or such other time and date as is permissible in accordance with the DGCL and as the Company and Parent may agree; provided, however, that, in any event, the Effective Time shall not be prior to the Closing (as defined in Section 2.3) and shall be as soon as practicable thereafter. The term "Northrop Effective Time" shall mean the time and date of the filing of a properly executed and certified certificate of merger relating to the Northrop Merger with the Secretary of State of the State of Delaware.

SECTION 2.3. Closing of the Litton Merger. Unless this Agreement shall have been terminated and the transactions contemplated herein shall have been abandoned pursuant to Section 7.1, and subject to the satisfaction or waiver of the conditions set forth in Article 6, the closing of the Litton 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 or valid waiver 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 Mergers. The Mergers shall have the effects set forth in the DGCL.

SECTION 2.5. Certificates of Incorporation and Bylaws.

(a) The Restated Certificate of Incorporation of the Company in effect at the Effective Time shall be the Certificate of Incorporation of the Litton Surviving Corporation until thereafter amended in accordance with applicable law and such Restated 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 Litton Surviving Corporation until amended in accordance with applicable law, the Certificate of Incorporation of the Litton Surviving Corporation and such Bylaws.

(b) In accordance with the Northrop Merger Agreement and Section 251(g) of the DGCL, the Certificate of Incorporation of the Northrop Surviving Corporation immediately following the Northrop Effective Time shall be substantially identical to the Certificate of Incorporation of Parent immediately prior to the Northrop Effective Time, except that the name of the Northrop Surviving Corporation shall be changed to "Northrop Grumman Operating Corporation," and a provision shall be added to the Certificate of Incorporation of the Northrop Surviving Corporation requiring that any act or transaction by or involving the Northrop Surviving Corporation that requires the approval of the stockholders of the Northrop Surviving Corporation for its adoption shall, by specific reference to Section 251(g), also require the approval of the stockholders of Holdco (or any successor by merger), by the same vote as is required with respect to the stockholders of the Northrop Surviving Corporation. The Bylaws of Parent in effect at the Northrop Effective Time shall be the Bylaws of the Northrop Surviving Corporation until amended in accordance with applicable law, the Certificate of Incorporation of the Northrop Surviving Corporation and such Bylaws.

(c) In accordance with the Northrop Merger Agreement and Section 251(g) of the DGCL, the Certificate of Incorporation and the Bylaws of Holdco immediately following the Northrop Effective Time will contain provisions identical to those in the Certificate of Incorporation and Bylaws of Parent immediately prior to the Northrop Effective Time, except as otherwise permitted by Section 251(g) and except that immediately after the Northrop Effective Time the name of Holdco shall be changed to "Northrop Grumman Corporation."

SECTION 2.6. Directors. The directors of Acquisition I at the Effective Time shall be the initial directors of the Litton Surviving Corporation, each to hold office in accordance with the Certificate of Incorporation and Bylaws of the Litton Surviving Corporation until such director's successor is duly elected or appointed and qualified. The directors of Parent at the Northrop Effective Time shall be the initial directors of the Northrop Surviving Corporation, each to hold office in accordance with the Certificate of Incorporation and Bylaws of the Northrop Surviving Corporation until such director's successor is duly elected or appointed and qualified. In accordance with the Northrop Merger Agreement and Section 251(g) of the DGCL, the directors of Parent at the Northrop Effective Time shall be the initial directors of Holdco, each to hold office in accordance with the Certificate of Incorporation and Bylaws of Holdco 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 Litton Surviving Corporation, each to hold office in accordance with the Certificate of Incorporation and Bylaws of the Litton Surviving Corporation until such officer's successor is duly elected or appointed and qualified. The officers of Parent at the Northrop Effective Time shall be the initial officers of the Northrop Surviving Corporation, each to hold

office in accordance with the Certificate of Incorporation and Bylaws of the Northrop Surviving Corporation until such officer's successor is duly elected or appointed and qualified. In accordance with the Northrop Merger Agreement and Section 251(g) of the DGCL, the officers of Parent at the Northrop Effective Time shall be the initial officers of Holdco, each to hold office in accordance with the Certificate of Incorporation and Bylaws of Holdco until such officer's successor is duly elected or appointed and qualified.

SECTION 2.8. Conversion of Shares in the Litton Merger.

(a) At the Effective Time, each Share held by the Company as treasury stock, held by any subsidiary of the Company, or owned by Holdco or any of its subsidiaries, immediately prior to the Effective Time shall be canceled, and no payment shall be made with respect thereto. Unless the context otherwise requires, each reference in this Agreement to the Shares shall include the associated Rights.

(b) At the Effective Time, each share of common stock of Acquisition I outstanding immediately prior to the Effective Time shall be converted into and become one share of common stock of the Litton Surviving Corporation with the same rights, powers and privileges as the shares so converted and shall constitute the only outstanding shares of capital stock of the Litton Surviving Corporation (other than as contemplated by Section 2.8(d)).

(c) At the Effective Time, except as otherwise provided in Sections 2.8(a) or 2.11, each Share issued and outstanding immediately prior to the Effective Time, shall be converted into the right to receive an amount of cash equal to the Per Share Amount, without interest (the "Merger Consideration").

(d) At the Effective Time, each issued and outstanding Preferred Share (other than any such shares held by Holdco, which shares shall be cancelled at the Effective Time) 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 Litton Surviving Corporation.

SECTION 2.9. Payment of Merger Consideration in the Litton Merger.

(a) From time to time following the Effective Time, as necessary to satisfy the requirements of Section 2.9(b), Parent and Holdco shall deliver to such agent or agents as may be appointed by Parent and Holdco 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. Holders of Shares in book-entry form will be entitled to receive upon delivery to the Paying Agent of a properly completed letter of transmittal, the Merger Consideration payable for each Share held by such holders in book-entry form.

(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 up to the maximum amount of the Merger Consideration to be paid.

(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 Litton 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 Litton Surviving Corporation of the Shares which were outstanding immediately prior to the Effective Time. If after the Effective Time Certificates are presented to the Litton 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 Holdco upon demand and any stockholders of the Company who have not theretofore complied with this Article 2 shall thereafter look only to Holdco for payment of their claim for the Merger Consideration.

(f) Neither Holdco 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 in the Litton Merger.

(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") or deferred stock unit has been issued or may be issued are referred to collectively as the "Company Plans." Immediately following the Effective Time, Holdco shall pay, or cause Litton Surviving Corporation to 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 Cash 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.

(b) As of the Effective Time and subject to Section 2.10(c), Holdco shall convert each outstanding Company Stock Option that is not an A Option (a "B Option") into an option to purchase shares of Holdco 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 Holdco Common Stock (the "New Share Number") equal to the number of Shares subject to such B Option times the Common Stock Consideration at a price per share equal to the aggregate exercise price of such B Option divided by the New Share Number; 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.

(c) Holdco's conversion of B Options in accordance with Section 2.10(b) shall only apply to 1,244,523 unvested options as disclosed by the Company as of January 12, 2001. Any B Options in excess of such 1,244,523 options shall be converted (on a pro rata basis applicable to all B Options) into a right to receive a cash payment in accordance with Section 2.10(a).

(d) Holdco shall have the option to provide the holders of A Options, and the holders of B Options to the extent applicable B Options are subject to the conversion set forth in Section 2.10(c), the opportunity to elect, before the Effective Time, to have some or all of their A Options or B Options, as the case may be, to be instead converted into options to acquire Holdco Common Stock pursuant to Section 2.10(b), as if they were B Options; provided, that, if --------
Holdco elects to provide optionholders the election provided for herein, A Options and B Options shall be converted into options to acquire Holdco Common Stock on a pro rata basis pursuant to this Section 2.10(d) only to the extent that such conversion would not, separately or together with the other transactions contemplated by this Agreement, require a vote of Parent or Holdco stockholders pursuant to applicable law or the rules of any national securities exchange.

(e) It is acknowledged and agreed that each share of Restricted Stock that is outstanding immediately prior to the consummation of the Offer will vest (and all restrictions will lapse) upon the consummation of the Offer and all deferred stock units will become

immediately due and payable upon consummation of the Offer. Therefore holders of such Restricted Stock shall thereupon be entitled to receive the Merger Consideration in the Merger as set forth in Section 2.9.

(f) As soon as practicable after the Effective Time, Holdco 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 Litton Merger). Holdco 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 Holdco after the Effective Time.

(g) Holdco shall take all corporate action necessary to reserve for issuance a sufficient number of shares of Holdco Common Stock for delivery upon exercise of B Options assumed in accordance with Section 2.10(b). At the Effective Time, Holdco shall file a registration statement on Form S-8 (or any successor or other appropriate forms) with respect to the shares of Holdco 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.

(h) 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 in the Litton Merger. Shares outstanding immediately prior to the Effective Time and held by a holder who has neither voted in favor of the Litton Merger nor 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 Cash 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.

SECTION 2.12. Conversion of Shares and Other Matters in the Northrop Merger. All matters pertaining to the conversion of outstanding capital stock, and associated rights, of Parent into capital stock and associated rights of Holdco in the Northrop Merger shall be governed by the terms and provisions of the Northrop Merger Agreement and Section 251(g) and other applicable provisions of the DGCL.

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, Holdco and Acquisition I 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 of the Original Agreement 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 I 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 Preferred Shares 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 of the Original Agreement, no shares of the Company's capital stock have been issued other than pursuant to Company Stock Options already in existence on the date of the Original Agreement, and between August 1, 2000 and the date of the Original Agreement no stock options have been granted. Except (i) as set forth above, (ii) for 168,786 Shares issuable pursuant to performance-based restricted stock or deferred stock units and (iii) for the Rights, as of November 30, 2000, there were outstanding (A) no shares of capital stock or other voting securities of the Company, (B) no securities of the Company or its subsidiaries convertible into or exchangeable for shares of capital stock or voting securities of the Company, (C) 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 (D) no equity equivalent interests in the ownership or earnings of the Company or its subsidiaries (collectively "Company Securities"). As of the date of the Original Agreement, 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 Exchange Act.

(d) The Company has amended the Rights Plan so that none of Parent, Holdco or Acquisition I shall be deemed to be an Acquiring Person (as defined in the Rights Plan) as a result of the execution and delivery of this Agreement or consummation of the transactions contemplated hereby.

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, Holdco and Acquisition I, constitutes a valid, legal and binding agreement of the Company enforceable, against the Company in accordance with its terms.

(b) The members of the Company Board present at a duly called meeting have 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 SEC since October 1, 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 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 I 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 (i) the S-4 will, at the time the S-4 is filed with the SEC and at the time it becomes effective under the Securities Act, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements made therein not misleading and (ii) the proxy statement relating to the meeting of the Company's stockholders to be held in connection with the Litton 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 Litton 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 Litton 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 Securities Act, 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 Certificates 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 its Government Contracts, there is, as of the date of the Original Agreement, 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 such party between such party 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 such party 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 such party. For the purposes of this Agreement, with respect to any party, "Contracts" means all contracts, agreements, leases (including leases of 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 consideration to be received by the holders of Shares in the Offer and the Litton Merger 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 I 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 of the Original Agreement: (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, HOLDCO AND ACQUISITION I

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, Holdco and Acquisition I hereby represent and warrant to the Company as follows:

SECTION 4.1. Organization.

(a) Each of Parent, Holdco and Acquisition I 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, Holdco and Acquisition I.

(b) Each of Parent, Holdco and Acquisition I 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. Capitalization of Parent and its Subsidiaries.

(a) The authorized capital stock of Parent consists of 200,000,000 shares of Parent Common Stock, of which, as of September 30, 2000, 71,725,672 shares of Parent Common Stock were issued and outstanding (each together with a right to purchase preferred stock of Parent (the "Parent Rights") issued pursuant to the Rights Agreement between Parent and Chase Mellon Shareholder Services, L.L.C., dated as of September 23, 1998 and 10,000,000 shares of preferred stock, $1.00 par value per share, none of which are outstanding. All of the outstanding shares of Parent Common Stock have been validly issued and are fully paid, nonassessable and free of preemptive rights. As of September 30, 2000, (X) 4,707,506 shares of Parent Common

Stock were reserved for issuance and issuable upon or otherwise deliverable in connection with the exercise of outstanding options and (Y) there were 255,451 shares of Parent Common Stock subject to Parent Restricted Stock Rights and up to 1,168,512 shares of Parent Common Stock issuable under Parent Restricted Performance Stock Rights outstanding. Between September 30, 2000 and the date hereof, no shares of Parent's capital stock have been issued other than pursuant to stock options already in existence on such date and except for grants of stock options, restricted stock rights and restricted performance stock rights to employees, officers and directors in the ordinary course of business consistent with past practice between September 30, 2000 and the date hereof, no stock options have been granted. Except as set forth above and except for the Parent Rights, as of the date hereof, there are outstanding (i) no shares of capital stock or other voting securities of Parent, (ii) no securities of Parent or its subsidiaries convertible into or exchangeable for shares of capital stock, or voting securities of Parent, (iii) no options or other rights to acquire from Parent or its subsidiaries and no obligations of Parent or its subsidiaries to issue any capital stock, voting securities or securities convertible into or exchangeable for capital stock or voting securities of Parent and (iv) except for Parent's Non-Employee Directors Equity Participation Plan, no equity equivalent interests in the ownership or earnings of Parent or its subsidiaries or other similar rights (collectively "Parent Securities"). As of the date hereof, there are no outstanding obligations of Parent or any of its subsidiaries to repurchase, redeem or otherwise acquire any Parent Securities. There are no stockholder agreements, voting trusts or other agreements or understandings to which Parent is a party or by which it is bound relating to the voting of any shares of capital stock of Parent.

(b) The Parent Common Stock and the Parent Rights constitute the only classes of equity securities of Parent or its subsidiaries registered or required to be registered under the Exchange Act.

(c) The authorized capital stock of Holdco and the issued and outstanding capital stock of Holdco as of the date of purchase of Shares and Preferred Shares in the Offer will be the same as that of Parent immediately prior to such date, except, in each case, as otherwise contemplated by this Agreement. The shares of Holdco Common Stock and the shares of Holdco Preferred Stock to be issued in the Offer have been duly authorized by all necessary corporate action on the part of Holdco and when issued in accordance with the terms hereof will be validly issued, fully paid, non-assessable and free of preemptive rights.

SECTION 4.3. Authority Relative to this Agreement and the Northrop Merger Agreement. Each of Parent, Holdco, Acquisition I and Acquisition II, as applicable has all necessary corporate power and authority to execute and deliver this Agreement and the Northrop Merger Agreement and to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement and the Northrop Merger Agreement by Parent, Holdco, Acquisition I and Acquisition II and the consummation by such parties of the transactions contemplated hereby and thereby have been duly and validly authorized by the boards of directors of Parent, Holdco, Acquisition I and Acquisition II, as applicable, by Parent as the sole stockholder of Holdco and by Holdco as the sole stockholder of Acquisition I and Acquisition II and no other corporate proceedings on the part of Parent, Holdco, Acquisition I or Acquisition II are necessary to authorize this Agreement or the Northrop Merger Agreement or to consummate the transactions contemplated hereby or thereby. This Agreement and the

Northrop Merger Agreement have been duly and validly executed and delivered by each of Parent, Holdco, Acquisition I and Acquisition II, as applicable, and, assuming due authorization, execution and delivery by the Company, as applicable, constitutes a valid, legal and binding agreement of each of Parent, Holdco, Acquisition I and Acquisition II enforceable against each of Parent, Holdco, Acquisition I and Acquisition II in accordance with its terms.

SECTION 4.4. 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 and the unaudited financial statements contained in Parent's quarterly report on Form 10-Q for the quarter ended September 30, 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 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, 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) 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 4.5. Information Supplied. None of the information supplied or to be supplied by Parent, Holdco or Acquisition I in writing for inclusion or incorporation by reference in the S-4, the Proxy Statement or the Schedule 14D-9 will, at the respective times that the S-4, 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 S-4, at the time that it becomes effective under the Securities Act, 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. The S-4 will comply as to form in all material respects with the provisions of the Securities Act and the rules and regulations promulgated thereunder.

SECTION 4.6. Consents and Approvals; No Violations. Except for filings, permits, authorizations, consents and approvals as may be required under and other applicable requirements of the Securities Act, 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, Holdco, Acquisition I or Acquisition II of this Agreement or the consummation by Parent, Holdco, Acquisition I or Acquisition II 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, Holdco, Acquisition I or Acquisition II nor the consummation by Parent, Holdco, Acquisition I or Acquisition II 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, Holdco, Acquisition I or Acquisition II 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, Holdco, Acquisition I or Acquisition II 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, Holdco, Acquisition I or Acquisition II 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 4.7. No Default. None of Parent 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 Parent 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 Parent 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 Parent Material Adverse Effect.

SECTION 4.8. Absence of Changes. Since September 30, 2000, there have been no events, changes or effects with respect to Parent or its subsidiaries that would have a Parent Material Adverse Effect.

SECTION 4.9. Litigation. There is no suit, claim, action, proceeding or investigation pending or, to the knowledge of Parent, threatened against Parent or any of its subsidiaries or any of their respective properties or assets before any Governmental Entity which would have a Parent Material Adverse Effect or would reasonably be expected to prevent or materially delay the consummation of the transactions contemplated by this Agreement. None of Parent or its subsidiaries is subject to any outstanding order, writ, injunction or decree of any Governmental

Entity that would have a Parent Material Adverse Effect or would reasonably be expected to prevent or materially delay the consummation of the transactions contemplated hereby.

SECTION 4.10. Compliance with Applicable Law. Parent 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 "Parent Permits"), except for failures to hold such permits, licenses, variances, exemptions, orders and approvals which would not have a Parent Material Adverse Effect. Parent and its subsidiaries are in compliance with the terms of the Parent Permits except where the failure so to comply would not have a Parent Material Adverse Effect. The businesses of Parent 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 4.10 with respect to Environmental Laws and except for violations or possible violations which would not have a Parent Material Adverse Effect. To the knowledge of Parent, no investigation or review by any Governmental Entity with respect to Parent 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 Parent Material Adverse Effect.

SECTION 4.11. Employee Benefit Plans; Labor Matters. With respect to each employee benefit plan, program, arrangement and contract (including, without limitation, any "employee benefit plan," as defined in Section 3(3) of ERISA) maintained or contributed to by Parent or any of its subsidiaries or with respect to which Parent or any of its subsidiaries could incur liability under Section 4069, 4212(c) or 4204 of ERISA (the "Parent Benefit Plans") no event has occurred and, to the knowledge of Parent, there currently exists no condition or set of circumstances in connection with which Parent or any of its subsidiaries could be subject to any liability under the terms of the Parent Benefit Plans, ERISA, the Code or any other applicable law which could not be corrected under one or more of the Internal Revenue Service voluntary compliance programs at a cost which will not have a Parent Material Adverse Effect. There is no pending or threatened labor dispute, strike or work stoppage against Parent or any of its subsidiaries which would have a Parent Material Adverse Effect.

SECTION 4.12. Environmental Laws and Regulations.

(a) (i) Each of Parent and its subsidiaries is in compliance with all Environmental Laws, except for non-compliance that would not have a Parent Material Adverse Effect, which compliance includes but is not limited to, the possession by Parent 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 Parent or its subsidiaries has received written notice of or, to the knowledge of Parent, 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 (a "Parent Environmental Claim") that would have a Parent Material Adverse Effect.

(b) Except as disclosed in the Parent SEC Reports, there are no Parent Environmental Claims that would have a Parent Material Adverse Effect that are pending or, to the knowledge of Parent, threatened against Parent or its subsidiaries or, to the knowledge of Parent, against any

person or entity whose liability for any Parent Environmental Claim Parent or any of its subsidiaries has or may have retained or assumed either contractually or by operation of law.

SECTION 4.13. Tax Matters.

(a) Except as publicly disclosed by Parent in the Parent SEC Reports, Parent and its subsidiaries have accurately prepared and duly filed with the appropriate federal, state, local and foreign taxing authorities all tax returns, information returns and reports required to be filed with respect to Parent and its subsidiaries and have paid in full or made adequate provision for the payment of all Taxes.

(b) Neither Parent, Acquisition I, Acquisition II nor Holdco has taken or agreed to take any action that would prevent the Offer and the Northrop Merger, taken together, from qualifying as an exchange described in Section 351 of the Code.

SECTION 4.14. Brokers. No broker, finder or investment banker (other than the Parent's investment bankers and financial advisers) 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 Parent or Acquisition I.

SECTION 4.15. Adequate Funds. Parent has sufficient funds or firm commitment letters from nationally recognized lending institutions for, and will have at the time the conditions to the Offer are satisfied or waived and at the Effective Time sufficient funds, for the payment of the aggregate Cash Consideration and to perform its obligations with respect to the transactions contemplated by this Agreement, and Holdco has taken all action required to reserve for issuance the Holdco Common Stock and Holdco Preferred Stock to be issued in the Offer. 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 4.16. No Prior Activities. Except for obligations incurred in connection with its incorporation or organization of the negotiation and consummation of this Agreement and the transactions contemplated hereby, none of Holdco, Acquisition I or Acquisition II has incurred any obligation or liability or engaged in any business or activity of any type or kind whatsoever or entered into any agreement or arrangement with any person.

SECTION 4.17. No Vote Required. No vote is required by the holders of any class or series of Parent's or Holdco's (other than Parent) capital stock to approve and adopt this Agreement (including without limitation, the Northrop Merger Agreement) or pursuant to the rules of any national securities exchange as a result of this Agreement or the transactions contemplated hereby.

SECTION 4.18. Intellectual Property; Software.

(a) Each of Parent 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 Parent and its subsidiaries (the "Parent Intellectual Property Rights"), except where the failure to own or

possess valid rights to use such Parent Intellectual Property Rights would not have a Parent Material Adverse Effect.

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

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

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

SECTION 4.19. Government Contracts. Except as disclosed in Section 4.9 or Section 4.19 of the Parent Disclosure Schedule, to the knowledge of Parent, with respect to its Government Contracts, there is, as of the date of the Original Agreement, no (i) civil fraud or criminal investigation by any Governmental Entity that would have a Parent Material Adverse Effect, (ii) suspension or debarment proceeding (or equivalent proceeding) against Parent or any of its subsidiaries that would have a Parent 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 Parent 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 Parent or any of its subsidiaries against the U.S. Government in excess of $40 million.

SECTION 4.20. Certain Business Practices. To the knowledge of Parent, none of Parent, any of its subsidiaries or any directors, officers, agents or employees of Parent 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 Parent.

SECTION 4.21. Problems with Customers. Except as provided in Schedule 4.21 of the Parent Disclosure Schedule, from July 31, 2000 to the date of the Original Agreement: (a) no customer of Parent or any of its subsidiaries has canceled or otherwise terminated its relationship with Parent or any of its subsidiaries, except cancellations and terminations that would not have a Parent Material Adverse Effect; (b) to the knowledge of Parent, no customer of Parent or any of its subsidiaries has overtly threatened to cancel or otherwise terminate its relationship with Parent or any of its subsidiaries or its usage of the services of Parent or any of its subsidiaries, except cancellations and terminations that would not have a Parent Material Adverse Effect; and

(c) Parent and its subsidiaries have no direct or indirect ownership interest that is material to Parent and its subsidiaries taken as a whole in any customer of Parent or any of its subsidiaries.

ARTICLE 5

COVENANTS

SECTION 5.1. Conduct of Business of the Company. 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 I (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, performance-based restricted stock or deferred stock units 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 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;

(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 Litton 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 5.1(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
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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
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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 nor Holdco, 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;

(c) take any action that would prevent the Offer and the Mergers, taken together, from qualifying as an exchange described in Section 351 of the Code;

(d) 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, except for the payment of ordinary cash dividends in respect of the Parent Common Stock;

(e) adopt a plan of complete or partial liquidation or dissolution of Parent or any of its material subsidiaries; or

(f) take or agree in writing or otherwise to take any of the actions described in Sections 5.2(a) through 5.2(e).

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, Holdco and Acquisition I or any designees of Parent, Holdco and Acquisition I) 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
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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 I 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 I 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 Litton Merger.

SECTION 5.4. Meeting of Stockholders. If a stockholder vote is required for consummation of the Litton Merger, 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 after consummation of the Offer to consider and vote upon the adoption and approval of this Agreement and the transactions contemplated hereby. The Company shall also as promptly as practicable after consummation of the Offer, if necessary, prepare and file with the SEC the Proxy Statement. At the Stockholders' Meeting, Holdco, Acquisition I and their subsidiaries will vote all Shares and all Preferred Shares owned by them or as to which they have been granted a proxy 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 Holder, 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 and Parent will give the Company 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 other party to make such inspections as such party may reasonably require and will cause its officers and those of its subsidiaries to furnish the other party with such financial and operating data and other information with respect to its business and properties and those of its subsidiaries as the other party 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 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, Holdco and Acquisition I 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 (including, without limitation, the Mergers) and to reasonably cooperate with the others 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 (including, without limitation, the Mergers), (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, Holdco and Acquisition I 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, Holdco and Acquisition I shall use their respective best efforts to resolve such objections, if any, as may be asserted with respect to the transactions contemplated hereby (including, without limitation, the Mergers) 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, Holdco and Acquisition I 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 (including, without limitation, the Mergers). Notwithstanding anything to the contrary contained in this Agreement, neither Parent, Holdco nor Acquisition I 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, Holdco and Acquisition I shall keep the other party apprised of the status of matters relating to the completion of the transactions contemplated hereby (including, without limitation, the Mergers) 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 parties 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 parties and their 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 others of, and if in writing furnishing the others with copies of, any communications from or with any Governmental Antitrust Authority with respect to the transactions contemplated by this Agreement (including, without limitation, the Mergers); (iv) permitting the other parties 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 parties in advance, and, to the extent permitted by such Governmental Antitrust Authority, gives the other parties the opportunity to attend and participate thereat; and (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 any 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 parties, an appropriate response in compliance with such request. Parent, Holdco and Acquisition I will advise the Company promptly in respect of any understandings, undertakings or agreements (oral or written) which Parent, Holdco and Acquisition I propose to make or enter into with any Governmental Antitrust Authority in connection with the transactions contemplated hereby (including, without limitation, the Mergers).

SECTION 5.7. Indemnification.

(a) After the Effective Time, Parent and the Litton 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 of the Original Agreement 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 Litton 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 Litton 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 of the Original Agreement or thereafter 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 of the Original Agreement; 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 of the Original Agreement for such insurance, then the Litton 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, Holdco, Acquisition I 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 Litton 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. Parent shall cause Holdco to, and Holdco shall, issue a press release publicly announcing the Common Stock Consideration prior to the opening of trading on the second trading day prior to the final Expiration Date.

SECTION 5.9. Employee Matters.

(a) From and after the Effective Time, Holdco shall assume and honor, and shall cause the Litton Surviving Corporation 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, Holdco 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 Holdco 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, Holdco 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 Holdco 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, Holdco shall assume and honor, and shall cause the Litton 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, Holdco agrees not to demand, and to cause the Litton Surviving Corporation not to demand, repayment of the loans currently outstanding under the Company's Incentive Loan Program before December 31, 2001. Finally, Holdco 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 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.

SECTION 5.10. NYSE Listing. Parent shall use all reasonable efforts to cause the shares of Holdco Common Stock and Holdco Preferred Stock to be issued in the Offer to be approved for listing on the NYSE, subject to official notice of issuance, at the earliest practicable time and in any event prior to the time when all conditions of the Offer, excluding clause (iii) of the initial paragraph of Annex A hereof, are satisfied or waived.

SECTION 5.11. Corporate Filings. Prior to the purchase of Shares and Preferred Shares in the Offer, Parent shall cause Holdco to file (a) an Amended and Restated Certificate of Incorporation of Holdco in the form of Exhibit B attached hereto with only such changes thereto as the Company shall reasonably approve, and (b) the Certificate of Designations of the rights, preferences and privileges of the Holdco Preferred Stock in the form of Exhibit C attached hereto with the Secretary of State of the State of Delaware with only such changes thereto as the Company shall reasonably approve.

SECTION 5.12. Stockholder Approval of Conversion Shares. Parent or Holdco, as applicable, shall use all reasonable efforts to seek at its 2001 annual stockholder meeting the requisite stockholder approval pursuant to the rules of the NYSE for the issuance of shares of Holdco Common Stock upon conversion of the Holdco Preferred Stock.

ARTICLE 6

CONDITIONS TO CONSUMMATION OF THE LITTON MERGER

SECTION 6.1. Conditions to Each Party's Obligations to Effect the Litton Merger. The respective obligations of each party hereto to effect the Litton 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 Litton Merger;

(c) any waiting period applicable to the Litton 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 Mergers 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) Holdco shall have purchased Shares pursuant to the Offer.

ARTICLE 7

TERMINATION; AMENDMENT; WAIVER

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

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

(b) by Parent and Acquisition I 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 Mergers and such order, decree, ruling or other action is or shall have become final and nonappealable or (ii) the purchase of Shares pursuant to the Offer has not been consummated by September 15, 2001; provided, however, 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, Holdco or Acquisition I set forth in this Agreement or if any representation or warranty of Parent, Holdco or Acquisition I shall have become untrue or (ii) there shall have been a breach by Parent, Holdco or Acquisition I 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 Mergers, and Parent, Holdco or Acquisition I, 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 I 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 Mergers, and the Company has not cured such breach within twenty business days after notice by Parent or Acquisition I thereof provided that neither Parent nor Acquisition I 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 Mergers or shall have adopted any resolution to effect any of the foregoing or (v) a Third Party Acquisition shall have occurred after the date of the Original Agreement, 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 I 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 of the Original Agreement 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 I would suffer direct and substantial damages, which damages cannot be determined with reasonable certainty. To compensate Parent and Acquisition I 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 I at any time before or after approval of the Litton 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 Parent Disclosure Schedule) and the Confidentiality Agreement referred to in Section 5.5(d) 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, including, without limitation, the Original Agreement, and (b) this Agreement shall not be assigned by operation of law or otherwise; provided, however, that Acquisition I 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 I 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, Holdco or Acquisition I:	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) "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;

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

(f) "subsidiary" or "subsidiaries" of the Company, Parent, Holdco or any other person means any corporation, partnership, limited liability company, association, trust, unincorporated association or other legal entity of which the Company, Parent, Holdco 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
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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 two or more
counterparts, each of which shall be deemed to be an original but all of which shall constitute one and the same agreement.

[signature page follows]

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: /s/ ALBERT MYERS
Name: Albert Myers
Title: Corporate V.P. and Treasurer

LITTON INDUSTRIES, INC.

By: /s/ JOHN E. PRESTON
Name: John E. Preston
Title: Sr. V.P. and General Counsel

NNG, INC.

By: /s/ ALBERT MYERS
Name: Albert Myers
Title: President

LII ACQUISITION CORP.

By: /s/ ALBERT MYERS
Name: Albert Myers
Title: President

ANNEX A

CONDITIONS OF THE OFFER

THE CAPITALIZED TERMS USED HEREIN HAVE THE MEANINGS SET FORTH IN THE AMENDED AND RESTATED 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 Agreement and any applicable rules and regulations of the SEC, including Rules 14e-1(c) under the Exchange Act), Holdco 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 S-4 shall not have become effective under the Securities Act or shall be the subject of any stop order or proceeding seeking a stop order, (iii) the shares of Holdco Common Stock to be issued in the Offer shall not have been approved for listing on the NYSE, subject to official notice of issuance, (iv) the Minimum Condition is not satisfied or (v) 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 Mergers 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 Holdco 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 Original 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 Agreement shall have been terminated in accordance with its terms; or

(e) (i) the representations of the Company contained in the 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 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 Holdco its approval or recommendation of the Offer, the Agreement or the Litton Merger or shall have recommended another offer, or shall have adopted any resolution to effect any of the foregoing.

EXHIBIT A

FORM OF AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER (this "Agreement"), dated as of _____, 2001, is entered into by and between NORTHROP GRUMMAN CORPORATION, a Delaware corporation ("Parent"), NNG, Inc., a Delaware corporation and a wholly owned subsidiary of Parent ("Holdco"), and NGC ACQUISITION CORP., a Delaware corporation ("Acquisition II"), with reference to the following facts:

WHEREAS, Parent, Litton Industries, Inc., a Delaware corporation (the "Company"), Holdco, and LII Acquisition Corp., a Delaware corporation and wholly owned subsidiary of Holdco ("Acquisition I"), have entered into an Amended and Restated Agreement and Plan of Merger dated as of January 23, 2001 (as amended and restated from time to time, the "Merger Agreement"); and

WHEREAS, each of Acquisition I and Acquisition II is a wholly owned subsidiary of Holdco; and

WHEREAS, pursuant to the Merger Agreement, Acquisition I will be merged with and into the Company (the "Litton Merger"), and pursuant to the Merger Agreement and this Agreement, Acquisition II will be merged with and into Parent (the "Northrop Merger"), with the Company and Parent continuing as the surviving corporations of such mergers and as subsidiaries of Holdco; and

WHEREAS, the Board of Directors of Parent and Acquisition II deem it advisable and in the best interests of Parent and Acquisition II, respectively, that Acquisition II merge with and into Parent, in accordance with Section 251(g) of the Delaware General Corporation Law (the "DGCL") and upon the terms and subject to the conditions of the Merger Agreement and this Agreement, and have approved and adopted the Merger Agreement and this Agreement.

NOW, THEREFORE, in consideration of the foregoing premises and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the parties hereby agree, subject to the terms and conditions hereinafter set forth, as follows:

ARTICLE I

THE MERGER

SECTION 1.01. The Northrop Merger. Upon the terms and subject to the conditions set forth in the Merger Agreement and this Agreement, and in accordance with the provisions of Section 251(g) of the DGCL, Acquisition II shall be merged with and into Parent and Parent shall be the entity surviving the Northrop Merger (in this capacity, the "Northrop Surviving Corporation").

SECTION 1.02. Filing Time; Effective Time. At the time and as provided in the Merger Agreement, an executed copy of this Agreement shall be filed with the Secretary of State of the

State of Delaware, which copy shall include the certification of the Secretary or Assistant Secretary of Parent that this Agreement has been adopted by the Board of Directors of Parent without any vote of stockholders, as provided in Section 251(g) of the DGCL, and that each of the conditions specified in the first sentence of Section 251(g) has been satisfied. The term "Effective Time" shall mean the date and time a properly executed and certified copy of this Agreement is filed with the Secretary of State of the State of Delaware.

SECTION 1.03. Certain Effects of the Northrop Merger. At the Effective Time (i) Acquisition II shall be merged with and into Parent and the separate existence of Acquisition II shall cease and (ii) the Merger shall have the effects set forth in the DGCL (including, without limitation, Section 251(g)).

SECTION 1.04. Certificate of Incorporation and Bylaws.

(a) Northrop Surviving Corporation. The Restated Certificate of Incorporation of Parent as in effect immediately prior to the Effective Time shall be the Certificate of Incorporation of the Northrop Surviving Corporation, except for the following amendments thereto:

Article FIRST shall be amended to read in its entirety as follows:

> "FIRST: The name of the corporation is Northrop Grumman Operating Corporation (the "Corporation")."

A new article NINETEENTH shall be added, reading as follows:

> "NINETEENTH: Other than the election or removal of directors of the Corporation, any act or transaction by or involving the Corporation that requires under the General Corporation Law of the State of Delaware or this Amended and Restated Certificate of Incorporation the approval of the stockholders of the Corporation shall, pursuant to Section 251(g)(7)(i) of the General Corporation Law of the State of Delaware, require, in addition, the approval of the stockholders of Northrop Grumman Corporation by the same vote that is required by the General Corporation Law of the State of Delaware and/or this Amended and Restated Certificate of Incorporation."

The Bylaws of Parent in effect at the Effective Time shall be the Bylaws of the Northrop Surviving Corporation until amended in accordance with applicable law, the Certificate of Incorporation of the Northrop Surviving Corporation and such Bylaws.

(b) Holdco. In accordance with Section 251(g) of the DGCL, Holdco agrees to file (and Parent as the sole stockholder of Holdco agrees to approve the filing of) an Amended and Restated Certificate of Incorporation of Holdco with the Secretary of State of the State of Delaware immediately prior to the Effective Time containing provisions identical to those in the Certificate of Incorporation of Parent in effect immediately prior to the Effective Time, except as otherwise permitted by Section 251(g). Holdco further agrees to adopt Bylaws immediately prior to the Effective Time containing provisions identical to those in the Bylaws of Parent in effect immediately prior to the Effective Time.

SECTION 1.05. Directors and Officers.

(a) Northrop Surviving Corporation. The directors and officers of Parent immediately prior to the Effective Time shall be the directors and officers of the Northrop Surviving Corporation, each to hold office in accordance with the Certificate of Incorporation and Bylaws of the Northrop Surviving Corporation until their respective successors are duly elected or appointed and qualified or until their earlier death, resignation or removal.

(b) Holdco. The directors and officers of Parent immediately prior to the Effective Time shall be the directors and officers of Holdco immediately after the Effective Time, each to hold office in accordance with the Certificate of Incorporation and Bylaws of Holdco until their respective successors are duly elected or appointed and qualified or until their earlier death, resignation or removal.

ARTICLE II

EFFECT OF MERGER ON CAPITAL STOCK OF THE CONSTITUENT ENTITIES

SECTION 2.01. Effect On Northrop Surviving Corporation Common Stock and Options. At the Effective Time, without any action on the part of any holder of any shares of Parent Common Stock (as defined below):

(a) Cancellation of Treasury Stock. Each share of common stock, par value $1.00 per share, of Parent (together with the associated rights to purchase Series A Junior Participating Preferred Stock of Parent pursuant to the Rights Agreement (the "Rights Agreement") dated as of September 23, 1998 between Parent and ChaseMellon Shareholder Services, L.L.C., the "Parent Common Stock") that is owned by Parent or any subsidiary of Parent shall automatically be cancelled and retired and shall cease to exist, and no cash, Holdco Common Stock (as defined below) or other consideration shall be delivered or deliverable in exchange therefor.

(b) Conversion of Parent Common Stock. Except as provided in this Section 2.01, each issued and outstanding share of Parent Common Stock (including the associated rights) shall be converted into one fully paid and nonassessable share of common stock of Holdco having the same designations, rights, powers and preferences, and the qualifications, limitations and restrictions thereof as the shares of Parent Common Stock being converted, together with associated rights to purchase Holdco Series A Junior Participating Preferred Stock that are substantially equivalent to the rights pursuant to the Rights Agreement associated with the Parent Common Stock being converted (the shares of common stock and associated rights, the "Holdco Common Stock"). At or prior to the Effective Time, Holdco shall enter into a rights agreement in substantially the form and substance of the Rights Agreement, such that each share of Holdco Common Stock issued pursuant to this Section 2.01(b) shall be issued together with associated rights to purchase Holdco Series A Junior Participating Preferred Stock that are equivalent to the current rights to purchase Series A Junior Participating Preferred Stock of Parent under the Rights Agreement.

(c) Cancellation and Retirement of Parent Common Stock. All shares of Parent Common Stock issued and outstanding immediately prior to the Effective Time shall no longer be outstanding and shall automatically be cancelled and retired and shall cease to exist, and each

certificate theretofore representing any such shares shall, without any action on the part of the holder thereof, be deemed to represent an equivalent number of fully paid and nonassessable shares of Holdco Common Stock, as specified in Section 251(g) of the DGCL. As required by Section 251(g) of the DGCL, Holdco shall in furtherance of the foregoing change its name to "Northrop Grumman Corporation" immediately following the Effective Time.

(d) Conversion of Options to Purchase Parent Common Stock. Each issued and outstanding option to purchase Parent Common Stock shall automatically be deemed converted into an option to purchase an equivalent number of shares of Holdco Common Stock, on the same terms and subject to the same conditions as applied to the option to purchase Parent Common Stock being so converted.

SECTION 2.02. Effect on Acquisition II Stock. At the Effective Time, each share of common stock of Acquisition II outstanding immediately prior to the Effective Time shall be converted into and shall become one fully paid and nonassessable share of common stock of the Northrop Surviving Corporation.

SECTION 2.03. Other Effects. The Northrop Merger shall have such other effects as provided in the Merger Agreement and the DGCL.

ARTICLE III

CLOSING CONDITIONS

SECTION 3.01. Conditions to Closing. The obligations of Parent, Holdco and Acquisition II under this Agreement are subject to the satisfaction or waiver, immediately prior to the purchase of Shares and Preferred Shares in the Offer, of all conditions contained in Annex A to the Merger Agreement.

ARTICLE IV

MISCELLANEOUS

SECTION 4.01. Amendment. This Agreement may not be amended except by an instrument in writing signed by each of the parties and consented to in writing by the Company.

SECTION 4.02. Governing Law. This Agreement shall be governed by and construed in accordance with the internal law of the State of Delaware, without regard to its conflicts or choice of law principles.

SECTION 4.03. 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 4.04. Execution; Counterparts. This Agreement may be executed by facsimile signature and in two or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same agreement.

SECTION 4.05. Parties in Interest. This Agreement shall be binding upon and inure to the benefit of each party hereto and their respective successors and permitted assigns, and nothing in this Agreement, express or implied, is intended to confer upon any other person any rights or remedies of any nature whatsoever under or by reason of this Agreement.

SECTION 4.06. Capitalized Terms. All capitalized terms used but not otherwise defined in this Agreement shall have the same meanings set forth in the Merger Agreement.

IN WITNESS WHEREOF, each of the parties has caused this Agreement to be executed on its behalf by its officers thereunto duly authorized, all as of the day and year first above written.

NORTHROP GRUMMAN CORPORATION

By: _____
Name: _____
Title: _____

NNG, INC.

By: _____
Name: _____
Title: _____

NGC ACQUISITION CORP.

By: _____
Name: _____
Title: _____

EXHIBIT 3.1

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION

OF

NNG, INC.

NNG, Inc., a corporation organized and existing under the laws of the State of Delaware, hereby certifies as follows:

1. The name of the corporation is NNG, Inc. and the date of filing of its original Certificate of Incorporation with the Secretary of State of Delaware was January 16, 2001.

2. The text of the Certificate of Incorporation as amended or supplemented heretofore is hereby amended and restated to read in its entirety as follows:

"AMENDED AND RESTATED CERTIFICATE OF INCORPORATION

OF

NNG, INC.

FIRST: The name of the corporation is NNG, Inc. (the "Corporation").

SECOND: The address of the registered office of the Corporation in the State of Delaware is Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle. The name and address of the Corporation's registered agent in the State of Delaware is the Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle, State of Delaware 19801.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which corporations may now or hereafter be organized under the General Corporation Law of the State of Delaware.

FOURTH: 1. The total number of shares of stock which the Corporation shall have authority to issue is Two Hundred Ten Million (210,000,000), consisting of Two Hundred Million (200,000,000) shares of Common Stock, par value One Dollar ($1.00) per share (the "Common Stock"), and Ten Million (10,000,000) shares of Preferred Stock, par value One Dollar ($1.00) per share (the "Preferred Stock").

2. Shares of Preferred Stock may be issued from time to time in one or more classes or series, each of which class or series shall have such distinctive designation or title as shall be fixed by resolution of the Board of Directors of the Corporation (the "Board of Directors") prior

to the issuance of any shares thereof. Each such class or series of Preferred Stock shall have such voting powers, full or limited, or no voting powers, and such preferences and relative, participating, optional or other special rights and such qualifications, limitations or restrictions thereof, as shall be stated in such resolution providing for the issuance of such class or series of Preferred Stock as may be adopted from time to time by the Board of Directors prior to the issuance of any shares thereof pursuant to the authority hereby expressly vested in it, all in accordance with the laws of the State of Delaware. The Board of Directors is further authorized to increase or decrease (but not below the number of shares of such class or series then outstanding) the number of shares of any class or series subsequent to the issuance of shares of that class or series.

FIFTH: In furtherance and not in limitation of the powers conferred by statute and subject to Article Sixth hereof, the Board of Directors is expressly authorized to adopt, repeal, rescind, alter or amend in any respect the bylaws of the Corporation (the "Bylaws").

SIXTH: Notwithstanding Article Fifth hereof, the Bylaws may be adopted, repealed, rescinded, altered or amended in any respect by the stockholders of the Corporation, but only by the affirmative vote of the holders of not less than eighty percent (80%) of the voting power of all outstanding shares of Voting Stock (as defined in paragraph (f) of Section 3 of Article Fourteenth hereof), regardless of class and voting together as a single voting class and, where such action is proposed by an Interested Stockholder (as defined in paragraph (d) of Section 3 of Article Fourteenth hereof), or by any Affiliate or Associate (each as defined in paragraph (g) of Section 3 of Article Fourteenth hereof) of an Interested Stockholder, including the affirmative vote of the holders of a majority of the voting power of all outstanding shares of Voting Stock, regardless of class and voting together as a single voting class, other than shares held by the Interested Stockholder which proposed (or the Affiliate or Associate of which proposed) such action, or any Affiliate or Associate of such Interested Stockholder; provided, however, that where such action is approved by a majority of the Continuing Directors (as defined in paragraph (a) of Section 3 of Article Fourteenth hereof), the affirmative vote of a majority of the voting power of all outstanding shares of Voting Stock, regardless of class and voting together as a single voting class shall be required for approval of such action.

SEVENTH: The business and affairs of the Corporation shall be managed by and under the direction of the Board of Directors. Except as may otherwise be provided pursuant to Section 2 of Article Fourth hereof in connection with rights to elect additional directors under specified circumstances which may be granted to the holders of any class or series of Preferred Stock, the exact number of directors of the Corporation shall be determined from time to time by a Bylaw or amendment thereto.

EIGHTH: The Board of Directors shall be and is divided into three classes: Class I, Class II and Class III. The number of directors in each class shall be the whole number contained in the quotient obtained by dividing the authorized number of directors by three. If a fraction is also contained in such quotient, then additional directors shall be apportioned as follows: if such fraction is one-third, the additional director shall be a member of Class I; and if such fraction is two-thirds, one of the additional directors shall be a member of Class I and the other shall be a member of Class II. Each director shall serve for a term ending on the date of the third Annual Meeting of Stockholders of the Corporation (the "Annual Meeting") following the

Annual Meeting at which such director was elected; provided, however, that the directors first elected to Class I shall serve for a term ending on the date of the first Annual Meeting next following the end of the calendar year 2000, the directors first elected to Class II shall serve for a term ending on the date of the second Annual Meeting next following the end of the calendar year 2000 and the directors first elected to Class III shall serve for a term ending on the date of the third Annual Meeting next following the end of the calendar year 2000.

Notwithstanding the foregoing provisions of this Article Eighth: each director shall serve until his successor is elected and qualified or until his death, resignation or removal; no decrease in the authorized number of directors shall shorten the term of any incumbent director, and additional directors, elected pursuant to Section 2 of Article Fourth hereof in connection with rights to elect such additional directors under specified circumstances which may be granted to the holders of any class or series of Preferred Stock, shall not be included in any class, but shall serve for such term or terms and pursuant to such other provisions as are specified in the resolution of the Board of Directors establishing such class or series.

NINTH: Except as may otherwise be provided pursuant to Section 2 of Article Fourth hereof in connection with rights to elect additional directors under specified circumstances which may be granted to the holders of any class or series of Preferred Stock, newly created directorships resulting from any increase in the number of directors, or any vacancies on the Board of Directors resulting from death, resignation, removal or other causes, shall be filled solely by the affirmative vote of a majority of the remaining directors then in office, even though less than a quorum of the Board of Directors. Any director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the class of directors in which the new directorship was created or the vacancy occurred and until such director's successor shall have been elected and qualified or until such director's death, resignation or removal, whichever first occurs.

TENTH: Except as may otherwise be provided pursuant to Section 2 of Article Fourth hereof in connection with rights to elect additional directors under specified circumstances which may be granted to the holders of any class or series of Preferred Stock, any director may be removed from office only for cause and only by the affirmative vote of the holders of not less than eighty percent (80%) of the voting power of all outstanding shares of Voting Stock entitled to vote in connection with the election of such director, regardless of class and voting together as a single voting class; provided, however, that where such removal is approved by a majority of the Continuing Directors, the affirmative vote of a majority of the voting power of all outstanding shares of Voting Stock entitled to vote in connection with the election of such director, regardless of class and voting together as a single voting class, shall be required for approval of such removal.

ELEVENTH: Any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called Annual Meeting or at a special meeting of stockholders of the Corporation, unless such action requiring or permitting shareholder approval is approved by a majority of the Continuing Directors, in which case such action may be authorized or taken by the written consent of the holders of outstanding shares of Voting Stock having not less than the minimum voting power that would be necessary to authorize or take such action at a meeting of stockholders at which all shares entitled to vote thereon were present

and voted, provided all other requirements of applicable law and this Amended and Restated Certificate have been satisfied.

TWELFTH: Special meetings of the stockholders of the Corporation for any purpose or purposes may be called at any time by a majority of the Board of Directors or by the Chairman of the Board. Special meetings may not be called by any other person or persons. Each special meeting shall be held at such date and time as is requested by the person or persons calling the meeting, within the limits fixed by law.

THIRTEENTH: Meetings of stockholders of the Corporation may be held within or without the State of Delaware, as the Bylaws may provide. The books of the Corporation may be kept (subject to any provision of applicable law) outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the Bylaws.

FOURTEENTH: 1. Subject to the provisions of Section 2 of this Article Fourteenth, in addition to any vote required by law, a Business Combination (as defined in paragraph (b) of Section 3 of this Article Fourteenth) shall be approved by the affirmative vote of the holders of not less than:

(a) eighty percent (80%) of the voting power of all outstanding shares of Voting Stock, regardless of class and voting together as a single voting class; and

(b) a majority of the voting power of all outstanding shares of Voting Stock, other than shares held by any Interested Stockholder which is (or the Affiliate or Associate of which is) a party to such Business Combination or by any Affiliate or Associate of such Interested Stockholder, regardless of class and voting together as a single voting class.

The affirmative votes referred to in paragraphs (a) and (b) of this Section 1 shall be required notwithstanding the fact that no vote may be required, or that a lesser percentage or proportion may be specified, by law, or in any agreement between the Corporation and any national securities exchange or any other person, or otherwise.

2. Notwithstanding the provisions of Section 1 of this Article Fourteenth, a Business Combination may be approved if all of the conditions specified in either of the following paragraphs (a) or (b) have been satisfied:

(a) both of the following conditions specified in clauses (i) and (ii) of this paragraph (a) have been satisfied:

(i) there are one or more Continuing Directors and a majority of such Continuing Directors shall have approved such Business Combination; and

(ii) such Business Combination shall have been approved by the affirmative vote of the Corporation's stockholders required by law, if any such vote is so required: or

(b) all of the following conditions satisfied in clauses (i) through (vii) of this paragraph (b) have been satisfied:

(i) such Business Combination shall have been approved by the affirmative vote of holders of a majority of the voting power of all outstanding shares of Voting Stock, regardless of class and voting together as a single voting class;

(ii) the aggregate amount of (A) the cash and (B) the Fair Market Value (as defined in paragraph (i) of Section 3 of this Article Fourteenth), as of the date of the consummation of the Business Combination (the "Consummation Date"), of consideration other than cash received or to be received, per share, by holders of shares of Common Stock in such Business Combination, shall be at least equal to the higher of the following:

(I) (if applicable) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid or agreed to be paid by the Interested Stockholder which is (or the Affiliate or Associate of which is) a party to such Business Combination for any shares of Common Stock (x) within the two-year period immediately prior to and including the date of the final public announcement of the terms of the proposed Business Combination (the "Announcement Date"), or (y) in the transaction in which it became an Interested Stockholder, whichever is higher; or

(II) the Fair Market Value per share of Common Stock (x) on the Announcement Date, or (y) on the date on which the Interested Stockholder became an Interested Stockholder (the "Determination Date"), whichever is higher;

(iii) the aggregate amount of (A) the cash and (B) the Fair Market Value, as of the Consummation Date, of consideration other than cash received or to be received, per share, by holders of shares of any class of outstanding Voting Stock other than Common Stock in such Business Combination, shall be at least equal to the highest of the following (it being intended that the requirements of this clause (iii) shall be required to be met with respect to every class of outstanding Voting Stock other than Common Stock, whether or not such Interested Stockholder (or such Affiliate or Associate) has previously acquired any shares of a particular class of Voting Stock):

(I) (if applicable) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid or agreed to be paid by the Interested Stockholder for any shares of such class of Voting Stock (x) within the two-year period immediately prior to the Announcement Date, or (y) in the transaction in which it became an Interested Stockholder, whichever is higher;

(II) (if applicable) the highest preferential amount per share to which the holders of shares of such class of Voting Stock are entitled in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation; or

(III) the Fair Market Value per share of such class of Voting Stock (x) on the Announcement Date, or (y) on the Determination Date, whichever is higher;

(iv) the consideration to be received by the holders of a particular class of outstanding Voting Stock (including Common Stock) shall be in cash or in the same form as the Interested Stockholder has previously paid (or agreed to pay) for shares of such class of Voting Stock; if the Interested Stockholder has paid for shares of any class of Voting Stock with varying forms of consideration, the form of consideration to be received by holders of shares of such class of Voting Stock shall be either cash or the form used to acquire the largest number of shares of such class of Voting Stock previously acquired by such Interested Stockholder, and the price determined in accordance with clauses (ii) and (iii) of this paragraph (b) shall be subject to appropriate adjustment in the event of any stock dividend, stock split, combination of shares or similar event;

(v) after such Interested Stockholder has become an Interested Stockholder, and prior to the consummation of such Business Combination, neither such Interested Stockholder nor any of its Affiliates or Associates shall have become the beneficial owner of any additional shares of Voting Stock, except (A) as part of the action which resulted in such Interested Stockholder becoming an Interested Stockholder, or (B) upon conversion of convertible securities acquired by it prior to such Interested Stockholder becoming an Interested Stockholder, upon exercise of warrants acquired by it prior to such Interested Stockholder becoming an Interested Stockholder, or as a result of a stock split or a pro rata stock dividend;

(vi) after such Interested Stockholder has become an Interested Stockholder, neither such Interested Stockholder nor any of its Affiliates or Associates shall have received the benefit, directly or indirectly (except proportionately as a stockholder), of any loans, advances, guarantees, pledges or other financial assistance or any tax credits or other tax advantages provided by the Corporation, whether in anticipation of or in connection with such Business Combination or otherwise; and

(vii) a proxy or information statement describing the proposed Business Combination and complying with the requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (or any subsequent provisions replacing such Act, rules and/or regulations) shall be mailed to stockholders of the Corporation at least thirty (30) days prior to the consummation of such Business Combination (whether or not such proxy or

information statement is required to be mailed pursuant to such Act, rules and/or regulations or such subsequent provisions).

3. For the purposes of this Amended and Restated Certificate of Incorporation, the following definitions shall apply:

(a) "Continuing Director" means (i) any member of the Board of Directors who (A) is not an Interested Stockholder or an Affiliate or Associate of an Interested Stockholder and (B) was a member of the Board of Directors prior to the time that an Interested Stockholder became an Interested Stockholder, and (ii) any person who is elected or nominated to succeed a Continuing Director, or to join the Board of Directors, by a majority of the Continuing Directors.

(b) "Business Combination" means any one or more of the following transactions referred to in clauses (i) through (vi) of this paragraph (b):

(i) any merger or consolidation of the Corporation or any Subsidiary (as defined in paragraph (h) of this Section 3) with or into (A) any Interested Stockholder or (B) any other corporation (whether or not itself an Interested Stockholder) which immediately before is, or after such merger or consolidation would be, an Affiliate or Associate of an Interested Stockholder;

(ii) any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of related transactions) to or with any Interested Stockholder, Affiliate and/or any Associate of any Interested Stockholder of any assets of the Corporation and/or any Subsidiary, where such assets have an aggregate Fair Market Value of Twenty-Five Million Dollars ($25,000,000) or more;

(iii) the issuance or transfer by the Corporation and/or any Subsidiary (in one transaction or a series of related transactions) of any equity securities of the Corporation and/or any Subsidiary to a person which, immediately prior to such issuance or transfer, is an Interested Stockholder or an Affiliate or Associate of an Interested Stockholder, where such equity securities have an aggregate Fair Market Value of Ten Million Dollars ($10,000,000) or more;

(iv) the adoption of any plan or proposal for the liquidation or dissolution of the Corporation;

(v) any reclassification of securities (including any reverse stock split) or recapitalization of the Corporation, or any merger or consolidation of the Corporation with any of its Subsidiaries or any similar transaction (whether or not with or into or otherwise involving an Interested Stockholder), which has the effect, directly or indirectly, of increasing the percentage of the outstanding shares of any class of equity or convertible securities of the Corporation or any Subsidiary which is directly or indirectly owned by any Interested Stockholder or by any Affiliate and/or Associate of any Interested Stockholder; or

(vi) any agreement, contract or other arrangement providing for any of the transactions described in clauses (i) through (v) of this paragraph (b).

(c) A "person" means an individual, firm, partnership, trust, corporation or other entity.

(d) "Interested Stockholder" means any person who or which, together with its Affiliates and Associates, as of the record date for the determination of stockholders entitled to notice of, and to vote on, any Business Combination, the removal of a director or the adoption of any proposed amendment, alteration, rescission or repeal of any provision of this Amended and Restated Certificate of Incorporation or any Bylaw, or immediately prior to the Consummation Date:

(i) is the beneficial owner (as defined in paragraph (e) of this Section 3), directly or indirectly, of ten percent (10%) or more of the voting power of (A) all outstanding shares of Voting Stock or (B) all outstanding shares of the capital stock of a Subsidiary having general voting power ("Subsidiary Stock"); or

(ii) is an assignee of or has otherwise succeeded to any share of Voting Stock or Subsidiary Stock which was, at any time within the two-year period prior thereto, beneficially owned by any person who at such time was an Interested Stockholder, and such assignment or succession shall have occurred in the course of a transaction or series of transactions not involving a public offering within the meaning of the Securities Act of 1933, as amended, and the rules and regulations thereunder (or any subsequent provisions replacing such Act, rules and/or regulations); provided, however, that the term "Interested Stockholder" shall not include (A) the Corporation or any Subsidiary or (B) any profit-sharing, employee stock ownership or other employee benefit plan of the Corporation or any Subsidiary, or any trustee of, or fiduciary with respect to, any such plan when acting in such capacity.

(e) A person is the "beneficial owner" of any shares of capital stock:

(i) which such person or any of its Affiliates or Associates beneficially owns, directly or indirectly;

(ii) which such person or any of its Affiliates or Associates has (A) the right to acquire (whether such right is exercisable immediately or only after the passage of time), pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise, or (B) the right to vote pursuant to any agreement, arrangement or understanding; or

(iii) which are beneficially owned, directly or indirectly, by any other person with which such first-mentioned person or any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of

acquiring, holding, voting or disposing of any shares of capital stock of the Corporation or a Subsidiary, as the case may be.

(f) "Voting Stock" means the capital stock of the Corporation having general voting power. For the purpose of determining whether a person is an Interested Stockholder pursuant to paragraph (d) of this Section 3, the number of shares of Voting Stock or Subsidiary Stock, as the case may be, deemed to be outstanding shall include shares deemed owned by a beneficial owner through application of paragraph (e) of this Section 3, but shall not include any other shares of Voting Stock or Subsidiary Stock, as the case may be, which may be issuable to any other person pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.

(g) "Affiliate" and "Associate" have the respective meanings given to those terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended, as in effect on January 1, 2001

(h) "Subsidiary" means any corporation of which a majority of any class of equity security (as defined in Rule 3a 11-1 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended, as in effect on January 1, 2001) is owned, directly or indirectly, by the Corporation.

(i) "Fair Market Value" means (i) in the case of stock (A) the highest closing sale price during the 30-day period including and immediately preceding the date in the question of a share of such stock on the Composite Tape for New York Stock Exchange-Listed Stocks, or (B) if such stock is not quoted on the Composite Tape, the highest closing sale price during such 30-day period on the New York Stock Exchange, or (C) if such stock is not listed on such Exchange, the highest closing sale price during such 30-day period on the principal United States securities exchange registered under the Securities Exchange Act of 1934, as amended, on which such stock is listed, or (D) if such stock is not listed on any such exchange, the highest closing bid quotation with respect to a share of such stock on the National Association of Securities Dealers, Inc. Automated Quotations System or any system then in use during such 30-day period, or (E) if no such quotations are available, the fair market value on the date in question of a share of such stock as determined in good faith by a majority of the Continuing Directors (or if there are no Continuing Directors, then by a majority of the Board of Directors), and (ii) in the case of property other than cash or stock, the fair market value of such property on the date in question as determined in good faith by a majority of the Continuing Directors (or if there are no Continuing Directors, then by a majority of the Board of Directors).

(j) In the event of any Business Combination in which the Corporation survives, the phrase "consideration other than cash received or to be received" as used in clauses (ii) and (iii) of paragraph (b) of Section 2 of this Article Fourteenth shall include the shares of Common Stock and/or the shares of any other class of Voting Stock retained by the holder of such shares.

4. A majority of the Continuing Directors shall have the power and duty to determine, for purposes of this Article Fourteenth, on the basis of information known to them: (a) whether a person is an Interested Stockholder, (b) the number of shares of Voting Stock or Subsidiary Stock beneficially owned by any person, (c) whether a person is an Affiliate or Associate of another person, (d) whether a person has an agreement, arrangement or understanding with another person as to the matters referred to in clause (vi) of paragraph (b), or clause (ii) or (iii) of paragraph (e), of Section 3 of this Article Fourteenth, (e) whether any particular assets of the Corporation and/or any Subsidiary have an aggregate Fair Market Value of Twenty-Five Million Dollars ($25,000,000) or more, or (f) whether the consideration received for the issuance or transfer of securities by the Corporation and/or any Subsidiary has an aggregate Fair Market Value of Ten Million Dollars ($10,000,000) or more. In furtherance and not in limitation of the preceding powers and duties set forth in this Section 4, a majority of the Continuing Directors shall have the power and duty to interpret all of the terms and provisions of this Article Fourteenth.

5. Nothing contained in this Article Fourteenth shall be construed to relieve any Interested Stockholder or any Affiliate or Associate thereof from any fiduciary obligation imposed by law.

6. The fact that any action or transaction complies with the provisions of this Article Fourteenth shall not be construed to impose any fiduciary duty, obligation or responsibility on the Board of Directors or any member thereof to approve such action or transaction or recommend its adoption or approval to the stockholders of the Corporation, nor shall such compliance limit, prohibit or otherwise restrict in any manner the Board of Directors, or any member thereof, with respect to evaluations of, or actions and responses taken with respect to, such action or transaction.

FIFTEENTH: To the maximum extent permissible under Section 262 of the General Corporation Law of the State of Delaware, the stockholders of the Corporation shall be entitled to the statutory appraisal rights provided therein, notwithstanding any exception otherwise provided therein, with respect to any Business Combination involving the Corporation and any Interested Stockholder (or any Affiliate or Associate of any Interested Stockholder), which requires the affirmative vote specified in paragraph (a) of Section Section I of Article Fourteenth hereof.

SIXTEENTH: The provisions set forth in this Article Sixteenth and in Articles Fourth, Fifth, Sixth, Seventh, Eighth, Ninth, Tenth, Eleventh, Twelfth, Fourteenth and Fifteenth hereof may not be repealed, rescinded, altered or amended in any respect, and no other provision or provisions may be adopted which impair(s) in any respect the operation or effect of any such provision, except by the affirmative vote of the holders of not less than eighty percent (80%) of the voting power of all outstanding shares of Voting Stock regardless of class and voting together as a single voting class and, where such action is proposed by an Interested Stockholder or by any Associate or Affiliate of an Interested Stockholder, the affirmative vote of the holders of a majority of the voting power of all outstanding shares of Voting Stock, regardless of class and voting together as a single class, other than shares held by the Interested Stockholder which proposed (or the Affiliate or Associate of which proposed) such action, or any Affiliate or Associate of such Interested Stockholder, provided, however, that where such action is approved

by a majority of the Continuing Directors, the affirmative vote of a majority of the voting power of all outstanding shares of Voting Stock, regardless of class and voting together as a single voting class, shall be required for approval of such action.

SEVENTEENTH: The Corporation reserves the right to adopt, repeal rescind, alter or amend in any respect any provision contained in this Amended and Restated Certificate of Incorporation in the manner now or hereafter prescribed by applicable law, and all rights conferred on stockholders herein are granted subject to this reservation. Notwithstanding the preceding sentence, the provisions set forth in Articles Fourth, Fifth, Sixth, Seventh, Eighth, Ninth, Tenth, Eleventh, Twelfth, Fourteenth, Fifteenth and Sixteenth may not be repealed, rescinded, altered or amended in any respect, and no other provision or provisions may be adopted which impair(s) in any respect the operation or effect of any such provision, unless such action is approved as specified in Article Sixteenth hereof.

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

3. The amendment and restatement of this Corporation's Certificate of Incorporation has been approved by this Corporation's Board of Directors and stockholders and was duly adopted in accordance with the provisions of Sections 242 and 245 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, said NNG, Inc. has caused this Certificate to be signed by Albert F. Myers, its President, and attested by John H. Mullan, its Secretary, this 31st day of January, 2001.

BY: /s/ ALBERT F. MYERS

Albert F. Myers, President

ATTEST:

BY: /s/ JOHN H. MULLAN

John H. Mullan, Secretary

EXHIBIT 3.2

RESTATED BYLAWS
OF
NNG, INC.

(A Delaware Corporation)

ARTICLE I

OFFICES

Section 1.01. Registered Office. The registered office of NNG, Inc. (the "Corporation") in the State of Delaware shall be at Corporation Trust Center, 1209 Orange Street, City of Wilmington, County of New Castle, and the name of the registered agent at that address shall be The Corporation Trust Company.

Section 1.02. Principal Executive Office. The principal executive office of the Corporation shall be located at 1840 Century Park East, Los Angeles, California 90067. The Board of Directors of the Corporation (the "Board of Directors") may change the location of said principal executive office.

Section 1.03. Other Offices. The Corporation may also have an office or offices at such other place or places, either within or without the State of Delaware, as the Board of Directors may from time to time determine or as the business of the Corporation may require.

ARTICLE II

MEETINGS OF STOCKHOLDERS

Section 2.01. Annual Meetings. The annual meeting of stockholders of the Corporation shall be held between May 1 and July 1 of each year on such date and at such time as the Board of Directors shall determine. At each annual meeting of stockholders, directors shall be elected in accordance with the provisions of Section 3.04 hereof and any other proper business may be transacted.

Section 2.02. Special Meetings. Special meetings of stockholders for any purpose or purposes may be called at any time by a majority of the Board of Directors, the Chairman of the Board, or by the President and Chief Executive Officer. Special meetings may not be called by any other person or persons. Each special meeting shall be held at such date and time as is requested by the person or persons calling the meeting, within the limits fixed by law.

Section 2.03. Place of Meetings. Each annual or special meeting of stockholders shall be held at such location as may be determined by the Board of Directors or, if no such determination is made, at such place as may be determined by the Chairman of the Board. If no location is so determined, any annual or special meeting shall be held at the principal executive office of the Corporation.

Section 2.04. Notice of Meetings. Written notice of each annual or special meeting of stockholders stating the date and time when, and the place where, it is to be held shall be delivered either personally or by mail to stockholders entitled to vote at such meeting not less than ten (10) nor more than sixty (60) days before the date of the meeting. The purpose or purposes for which the meeting is called may, in the case of an annual meeting, and shall, in the case of a special meeting, also be stated. If mailed, such notice shall be directed to a stockholder at his address as it shall appear on the stock books of the Corporation, unless he shall have filed with the Secretary of the Corporation a written request that notices intended for him be mailed to some other address, in which case such notice shall be mailed to the address designated in such request.

Section 2.05. Conduct of Meetings. All annual and special meetings of stockholders shall be conducted in accordance with such rules and procedures as the Board of Directors may determine subject to the requirements of applicable law and, as to matters not governed by such rules and procedures, as the chairman of such meeting shall determine. The chairman of any annual or special meeting of stockholders shall be the Chairman of the Board. The Secretary, or in the absence of the Secretary, a person designated by the Chairman of the Board, shall act as secretary of the meeting.

Section 2.06. Notice of Stockholder Business and Nominations. Nominations of persons for election to the Board and the proposal of business to be transacted by the stockholders may be made at an annual meeting of stockholders (a) pursuant to the Corporation's notice with respect to such meeting, (b) by or at the direction of the Board or (c) by any stockholder of record of the Corporation who was a stockholder of record at the time of the giving of the notice provided for in the following paragraph, who is entitled to vote at the meeting and who has complied with the notice procedures set forth in this section.

For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (c) of the foregoing paragraph, (1) the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation, (2) such business must be a proper matter for stockholder action under the General Corporation Law of the State of Delaware, (3) if the stockholder, or the beneficial owner on whose behalf any such proposal or nomination is made, has provided the Corporation with a Solicitation Notice, as that term is defined in subclause (c)(iii) of this paragraph, such stockholder or beneficial owner must, in the case of a proposal, have delivered a proxy statement and form of proxy to holders of at least the percentage of the Corporation's voting shares required under applicable law to carry any such proposal, or, in the case of a nomination or nominations, have delivered a proxy statement and form of proxy to holders of a percentage of the Corporation's voting shares reasonably believed by such stockholder or beneficial holder to be sufficient to elect the nominee or nominees proposed to be nominated by such stockholder, and must, in either case, have included in such materials the Solicitation Notice and (4) if no Solicitation Notice relating thereto has been timely provided pursuant to this section, the stockholder or beneficial owner proposing such business or nomination must not have solicited a number of proxies sufficient to have required the delivery of such a Solicitation Notice under this section. To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not less than 45 or more than 75 days prior to the first anniversary (the "Anniversary") of the date on which the Corporation first mailed its proxy materials for the preceding year's annual meeting of

stockholders; provided, however, that if the date of the annual meeting is advanced more than 30 days prior to or delayed by more than 30 days after the anniversary of the preceding year's annual meeting, notice by the stockholder to be more timely must be so delivered not later than the close of business on the later of (i) the 90th day prior to such annual meeting or (ii) the 10th day following the day on which public announcement of the date of such meeting is first made. In no event shall the public announcement of an adjournment of an annual meeting commence a new time period for the filing of a stockholder's notice as described herein. Such stockholder's notice shall set forth (a) as to each person whom the stockholder proposes to nominate for election or reelection as a director all information relating to such person as would be required to be disclosed in solicitations of proxies for the election of such nominees as directors pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Rule 14a-11 thereunder (including such person's written consent to serve as a director if elected); (b) as to any other business that the stockholder proposes to bring before the meeting, a brief description of such business, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; (c) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner, (ii) the class and number of shares of the Corporation that are owned beneficially and of record by such stockholder and such beneficial owner, and (iii) whether either such stockholder or beneficial owner intends to deliver a proxy statement and form of proxy to holders of, in the case of a proposal, at least the percentage of the Corporation's voting shares required under applicable law to carry the proposal or, in the case of a nomination or nominations, a sufficient number of holders of the Corporation's voting shares to elect such nominee or nominees (an affirmative statement of such intent, a "Solicitation Notice").

Notwithstanding anything in the second sentence of the second paragraph of this Section 2.06 to the contrary, in the event that the number of directors to be elected to the Board is increased and there is no public announcement naming all of the nominees for director or specifying the size of the increased Board made by the Corporation at least 55 days prior to the Anniversary, a stockholder's notice required by this Bylaw shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 10th day following the day on which such public announcement is first made by the Corporation.

Only persons nominated in accordance with the procedures set forth in this Section 2.06 shall be eligible to serve as directors and only such business shall be conducted at an annual meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this section. The chair of the meeting shall have the power and the duty to determine whether a nomination or any business proposed to be brought before the meeting has been made in accordance with the procedures set forth in these Bylaws and, if any proposed nomination or business is not in compliance with these Bylaws, to declare that such defective proposed business or nomination shall not be presented for stockholder action at the meeting and shall be disregarded.

Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Nominations of persons for election to the Board may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Corporation's notice of meeting (a) by or at the direction of the Board or (b) by any stockholder of record of the Corporation who is a stockholder of record at the time of giving of notice provided for in this paragraph, who shall be entitled to vote at the meeting and who complies with the notice procedures set forth in this Section 2.06. Nominations by stockholders of persons for election to the Board may be made at such a special meeting of stockholders if the stockholder's notice required by the second paragraph of this Section 2.06 shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the later of the 90th day prior to such special meeting or the 10th day following on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board to be elected at such meeting.

For purposes of this section, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or a comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

Notwithstanding the foregoing provisions of this Section 2.06, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to matters set forth in this Section 2.06. Nothing in this Section 2.06 shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

Section 2.07. Quorum. At any meeting of stockholders, the presence, in person or by proxy, of the holders of record of a majority of shares then issued and outstanding and entitled to vote at the meeting shall constitute a quorum for the transaction of business; provided, however, that this Section 2.07 shall not affect any different requirement which may exist under statute, pursuant to the rights of any authorized class or series of stock, or under the Certificate of Incorporation of the Corporation (the "Certificate") for the vote necessary for the adoption of any measure governed thereby. In the absence of a quorum, the stockholders present in person or by proxy, by majority vote and without further notice, may adjourn the meeting from time to time until a quorum is attained. At any reconvened meeting following such an adjournment at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally notified.

Section 2.08. Votes Required. A majority of the votes cast at a duly called meeting of stockholders, at which a quorum is present, shall be sufficient to take or authorize action upon any matter which may properly come before the meeting, unless the vote of a greater or different number thereof is required by statute, by the rights of any authorized class of stock or by the Certificate. Unless the Certificate or a resolution of the Board of Directors adopted in connection with the issuance of shares of any class or series of stock provides for a greater or lesser number of votes per share, or limits or denies voting rights, each outstanding share of stock, regardless of class, shall be entitled to one vote on each matter submitted to a vote at a meeting of stockholders.

Section 2.09. Proxies. A stockholder may vote the shares owned of record by him either in person or by proxy executed in writing (which shall include writings sent by telex, telegraph, cable or facsimile transmission) by the stockholder himself or by his duly authorized attorney-in-fact. No proxy shall be valid after three (3) years from its date, unless the proxy provides for a longer period. Each proxy shall be in writing, subscribed by the stockholder or his duly authorized attorney-in-fact, and dated, but it need not be sealed, witnessed or acknowledged.

Section 2.10. Stockholder Action. Any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual meeting or special meeting of stockholders of the Corporation, unless such action requiring or permitting shareholder approval is approved by a majority of the Continuing Directors (as defined in the Certificate), in which case such action may be authorized or taken by the written consent of the holders of outstanding shares of stock having not less than the minimum voting power that would be necessary to authorize or take such action at a meeting of stockholders at which all shares entitled to vote thereon were present and voted, provided all other requirements of applicable law and the Certificate have been satisfied.

Section 2.11. List of Stockholders. The Secretary of the Corporation shall prepare and make (or cause to be prepared and made), at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order and showing the address of, and the number of shares registered in the name of, each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the duration thereof, and may be inspected by any stockholder who is present.

Section 2.12. Inspectors of Election. In advance of any meeting of stockholders, the Board of Directors may appoint Inspectors of Election to act at such meeting or at any adjournment or adjournments thereof. If such Inspectors are not so appointed or fail or refuse to act, the chairman of any such meeting may (and, upon the demand of any stockholder or stockholder's proxy, shall) make such an appointment. The number of Inspectors of Election shall be one (1) or three (3). If there are three (3) Inspectors of Election, the decision, act or certificate of a majority shall be effective and shall represent the decision, act or certificate of all. No such Inspector need be a stockholder of the Corporation.

The Inspectors of Election shall determine the number of shares outstanding, the voting power of each, the shares represented at the meeting, the existence of a quorum and the authenticity, validity and effect of proxies; they shall receive votes, ballots or consents, hear and determine all challenges and questions in any way arising in connection with the right to vote, count and tabulate all votes or consents, determine when the polls shall close and determine the result; and finally, they shall do such acts as may be proper to conduct the election or vote with fairness to all stockholders. On request, the Inspectors shall make a report in writing to the secretary of the meeting concerning any challenge, question or other matter as may have been determined by them and shall execute and deliver to such secretary a certificate of any fact found by them.

ARTICLE III

DIRECTORS

Section 3.01. Powers. The business and affairs of the Corporation shall be managed by and be under the direction of the Board of Directors. The Board of Directors shall exercise all the powers of the Corporation, except those that are conferred upon or reserved to the stockholders by statute, the Certificate or these Bylaws.

Section 3.02. Number. Except as otherwise fixed pursuant to the provisions of Section 2 of Article Fourth of the Certificate in connection with rights to elect additional directors under specified circumstances which may be granted to the holders of any class or series of Preferred Stock, par value One Dollar ($1.00) per share of the Corporation ("Preferred Stock"), the number of directors shall be fixed from time to time by resolution of the Board of Directors but shall not be less than three (3). The Board of Directors, as of January 31, 2001, and thereafter, shall consist of fourteen (14) directors until changed as herein provided.

Section 3.03. Independent Outside Directors. At least sixty percent (60%) of the members of the Board of Directors of the Corporation shall at all times be "Independent Outside Directors", which term is hereby defined to mean any director who:

1. has not in the last five (5) years been an officer or employee of the Corporation or any of its subsidiaries or affiliates; and

2. is not related to an officer of the Corporation (or an officer of any of the Corporation's parents, subsidiaries or affiliates) by blood, marriage or adoption (except relationships more remote than first cousin); and

3. is not, and has not within the last two (2) years been, an officer, director or employee of, and does not own, and has not within the last two (2) years owned, directly or indirectly, in excess of one percent (1%) of any firm, corporation or other business or professional entity which has made or proposes to make during either the Corporation's or such entity's last or next fiscal year payments for property or services in excess of one percent (1%) of the gross revenues either of the Corporation for its last fiscal year or of such entity for its last fiscal year, but excluding payments determined by competitive bids, public utility services at rates set by law or government authority, or payments arising solely from the ownership of securities, or to which the Corporation was indebted at any time during the Corporation's last fiscal year in an aggregate amount in excess of one percent (1%) of the Corporation's total assets at the end of such fiscal year or Five Million dollars ($5,000,000), whichever is less, but excluding debt securities which have been publicly offered or which are publicly traded; and

4. is not a director, partner, officer or employee of an investment banking firm which has performed services for the Corporation in the last two (2) years or which the Corporation proposes to have perform services in the next year other than as a participating underwriter in a syndicate; and

5. is not a control person of the Corporation (other than as a director of the Corporation) as defined by the regulations of the Securities and Exchange Commission.

Section 3.04. Election and Term of Office. Except as provided in Section 3.07 hereof and subject to the right to elect additional directors under specified circumstances which may be granted, pursuant to the provisions of Section 2 of Article Fourth of the Certificate, to the holders of any class or series of Preferred Stock, directors shall be elected by the stockholders of the Corporation. The Board of Directors shall be and is divided into three classes: Class I, Class II and Class III. The number of directors in each class shall be the whole number contained in the quotient obtained by dividing the authorized number of directors (fixed pursuant to Section 3.02 hereof) by three. If a fraction is also contained in such quotient, then additional directors shall be apportioned as follows: if such fraction is one-third, the additional director shall be a member of Class I; and if such fraction is two-thirds, one of the additional directors shall be a member of Class I and the other shall be a member of Class II. Each director shall serve for a term ending on the date of the third annual meeting of stockholders of the Corporation following the annual meeting at which such director was elected; provided, however, that the directors first elected to Class I shall serve for a term ending on the date of the annual meeting next following the end of the calendar year 2000, the directors first elected to Class II shall serve for a term ending on the date of the second annual meeting next following the end of the calendar year 2000 and the directors first elected to Class III shall serve for a term ending on the date of the third annual meeting next following the end of the calendar year 2000.

Notwithstanding the foregoing provisions of this Section 3.04: each director shall serve until his successor is elected and qualified or until his death, resignation or removal; no decrease in the authorized number of directors shall shorten the term of any incumbent director; and additional directors, elected pursuant to Section 2 of Article Fourth of the Certificate in connection with rights to elect such additional directors under specified circumstances which may be granted to the holders of any class or series of Preferred Stock, shall not be included in any class, but shall serve for such term or terms and pursuant to such other provisions as are specified in the resolution of the Board of Directors establishing such class or series. Nominations for the election of directors may be made by the Board or a committee thereof or by any stockholder entitled to vote in the election of directors; provided, however, that a stockholder may nominate a person for election as a director at a meeting only if written notice of such stockholder's intent to make such nomination has been given by such stockholder to, and received by, the Secretary of the Corporation at the principal executive offices of the Corporation not less than sixty (60) days nor more than ninety (90) days prior to the meeting; provided, however, that (a) in the event that less than seventy (70) days' notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be so received not later than the close of business on the 10th day following the date on which such notice of the date of the meeting was mailed or such public disclosure was made, whichever first occurs; and (b) in the event that less than seventy (70) days shall remain from the date of public disclosure of the adoption of this bylaw provision to the date of any meeting, notice by the stockholder to be timely with respect to such meeting must be so received not later than the close of business on the 10th day following the date on which such public disclosure was made. Each such notice shall set forth: (a) the name and address of the stockholder who intends to make the nomination and of the person or persons to be nominated; (b) the name and address as they appear on the Corporation's books of the stockholder intending to make such

nomination; (c) the class and number of shares of capital stock of the Corporation which are beneficially owned by such stockholder (d) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder; (e) the occupations and business history for the previous five years, other directorships, names of business entities of which the proposed nominee owns a 10 percent or more equity interest, a list of any criminal convictions, including federal and state securities violations and such other information regarding each proposed nominee as may be required by the federal proxy rules in effect at the time the notice is submitted and (f) the consent of each nominee to serve as a director of the Corporation if so elected. No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth in this Section 3.04. The Chairman of any meeting of stockholders shall direct that any nomination not made in accordance with these procedures be disregarded.

Section 3.05. Election of Chairman of the Board. At the organizational meeting immediately following the annual meeting of stockholders, the directors shall elect a Chairman of the Board from among the directors who shall hold office until the corresponding meeting of the Board of Directors in the next year and until his successor shall have been elected or until his earlier resignation or removal. Any vacancy in such office may be filled for the unexpired portion of the term in the same manner by the Board of Directors at any regular or special meeting.

Section 3.06. Removal. Subject to the right to elect directors under specified circumstances which may be granted pursuant to Section 2 of Article Fourth of the Certificate to the holders of any class or series of Preferred Stock, any director may be removed from office only as provided in Article Tenth of the Certificate.

Section 3.07. Vacancies and Additional Directorships. Except as otherwise provided pursuant to Section 2 of Article Fourth of the Certificate in connection with rights to elect additional directors under specified circumstances which may be granted to the holders of any class or series of Preferred Stock, newly created directorships resulting from any increase in the number of directors and any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other cause shall be filled solely by the affirmative vote of a majority of the remaining directors then in office, even though less than a quorum of the Board of Directors. Any director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the class of directors in which the new directorship was created or the vacancy occurred and until such director's successor shall have been elected and qualified. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

Section 3.08. Regular and Special Meetings. Promptly after, and on the same day as, each annual election of directors by the shareholders, the Board shall, if a quorum be present, meet in an organizational meeting to elect a chairman, appoint members of the standing committees of the Board, elect officers of the Corporation and conduct other business as appropriate. Additional notice of such meeting need not be given if such meeting is conducted promptly after the annual meeting to elect directors and if the meeting is held in the same location where the election of directors was conducted. Regular meetings of the Board shall be

held at such times and places as the Board shall determine. Notice of regular meetings shall be mailed to each director at least five days before the meeting, addressed to the director's usual place of business or to his or her residence address or to an address specifically designated by the director.

Section 3.09. Quorum. At all meetings of the Board of Directors, a majority of the fixed number of directors shall constitute a quorum for the transaction of business, except that when the Board of Directors consists of one director, then the one director shall constitute a quorum. In the absence of a quorum, the directors present, by majority vote and without notice other than by announcement, may adjourn the meeting from time to time until a quorum shall be present. At any reconvened meeting following such an adjournment at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally notified.

Section 3.10. Votes Required. Except as otherwise provided by applicable law or by the Certificate, the vote of a majority of the directors present at a meeting duly held at which a quorum is present shall be sufficient to pass any measure.

Section 3.11. Place and Conduct of Meetings. Each regular meeting and special meeting of the Board of Directors shall be held at a location determined as follows: The Board of Directors may designate any place, within or without the State of Delaware, for the holding of any meeting. If no such designation is made: (i) any meeting called by a majority of the directors shall be held at such location, within the county of the Corporation's principal executive office, as the directors calling the meeting shall designate; and (ii) any other meeting shall be held at such location, within the county of the Corporation's principal executive office, as the Chairman of the Board may designate or, in the absence of such designation, at the Corporation's principal executive office. Subject to the requirements of applicable law, all regular and special meetings of the Board of Directors shall be conducted in accordance with such rules and procedures as the Board of Directors may approve and, as to matters not governed by such rules and procedures, as the chairman of such meeting shall determine. The chairman of any regular or special meeting shall be the Chairman of the Board, or in his absence a person designated by the Board of Directors. The Secretary, or in the absence of the Secretary a person designated by the chairman of the meeting, shall act as secretary of the meeting.

Section 3.12. Fees and Compensation. Directors shall be paid such compensation as may be fixed from time to time by resolutions of the Board of Directors (a) for their usual and contemplated services as directors, (b) for their services as members of committees appointed by the Board of Directors, including attendance at committee meetings as well as services which may be required when committee members must consult with management staff, and (c) for extraordinary services as directors or as members of committees appointed by the Board of Directors, over and above those services for which compensation is fixed pursuant to items (a) and (b) in this Section 3.12. Compensation may be in the form of an annual retainer fee or a fee for attendance at meetings, or both, or in such other form or on such basis as the resolutions of the Board of Directors shall fix. Directors shall be reimbursed for all reasonable expenses incurred by them in attending meetings of the Board of Directors and committees appointed by the Board of Directors and in performing compensable extraordinary services. Nothing contained herein shall be construed to preclude any director from serving the Corporation in any

other capacity, such as an officer, agent, employee, consultant or otherwise, and receiving compensation therefor.

Section 3.13. Committees of the Board of Directors. Subject to the requirements of applicable law, the Board of Directors may from time to time establish committees, including standing or special committees, which shall have such duties and powers as are authorized by these Bylaws or by the Board of Directors. Committee members, and the chairman of each committee, shall be appointed by the Board of Directors. The Chairman of the Board, in conjunction with the several committee chairmen, shall make recommendations to the Board of Directors for its final action concerning members to be appointed to the several committees of the Board of Directors. Any member of any committee may be removed at any time with or without cause by the Board of Directors. Vacancies which occur in any committee shall be filled by a resolution of the Board of Directors. If any vacancy shall occur in any committee by reason of death, resignation, disqualification, removal or otherwise, the remaining members of such committee, so long as a quorum is present, may continue to act until such vacancy is filled by the Board of Directors. The Board of Directors may, by resolution, at any time deemed desirable, discontinue any standing or special committee. Members of standing committees, and their chairmen, shall be elected yearly at the organizational meeting of the Board of Directors which is held immediately following the annual meeting of stockholders.

Section 3.14. Audit Committee. There shall be an Audit Committee of the Board of Directors which shall serve at the pleasure of the Board of Directors and be subject to its control. The Committee shall have the following membership and powers:

1. The Committee shall have at least three (3) members. All members of the Committee shall be Independent Directors, which term is hereby defined to mean any director that is "Independent" within the meaning of Rule 303.01 of the New York Stock Exchange Listed Company Manual, as such rule (or any successor rule) may be amended from time to time.

2. The Committee shall recommend to the Board of Directors for its action the appointment or discharge of the Corporation's independent auditors, based upon the Committee's judgment of the independence of the auditors (taking into account the fees charged both for audit and non-audit services) and the quality of its audit work. Ratification by the stockholders of the Board of Directors' appointment of the Corporation's independent auditors may be sought in conjunction with management's solicitation of proxies for the annual meeting of stockholders, if so determined by the Board of Directors. If the auditors must be replaced, the Committee shall recommend to the Board of Directors for its action the appointment of new auditors until the next annual meeting of stockholders.

3. The Committee shall review and approve the scope and plan of the audit.

4. The Committee shall meet with the independent auditors at appropriate times to review, among other things, the results of the audit and any certification, report or opinion which the auditors propose to render in connection with the Corporation's financial statements.

5. The Committee shall review and approve each professional service of a non-audit nature to be provided by the auditors.

6. The Committee shall meet with the Corporation's chief internal auditor at least once a year to review his comments concerning the adequacy of the Corporation's system of internal controls and such other matters as the Committee may deem appropriate.

7. The Committee shall have the power to direct the auditors and the internal audit staff to inquire into and report to it with respect to any of the Corporation's contracts, transactions or procedures, or the conduct of the Corporate Office, or any division, profit center, subsidiary or other unit, or any other matter having to do with the Corporation's business and affairs. If authorized by the Board of Directors, the Committee may initiate special investigations in these regards.

8. The Committee shall have such other duties as may be lawfully delegated to it from time to time by the Board of Directors.

Section 3.15. Compensation and Management Development Committee. There shall be a Compensation and Management Development Committee of the Board of Directors which shall serve at the pleasure of the Board of Directors and be subject to its control. The Committee shall have the following membership and powers:

1. The Committee shall be composed of at least three (3) members. All members of the Committee shall be Independent Outside Directors. The principal Human Resources officer of the Corporation shall be a non-voting member of the Committee.

2. The Committee shall recommend to the Board of Directors for its action the amount to be appropriated for awards to be made each year to elected officers under the Corporation's incentive compensation plan.

3. The Committee shall establish the Corporation's annual performance objectives under the Corporation's incentive compensation plans.

4. The Committee shall make recommendations to the Board of Directors with respect to the base salary and incentive compensation of the elected officers. The Committee shall take final action with respect to the base salary and incentive compensation of the ten (10) employees, who are not elected officers, receiving the highest base salaries immediately preceding the date of any such action.

5. The Committee shall review management's recommendations and take final action with respect to all awards to be made under the Corporation's long-term incentive plans or other similar benefit plans which may be adopted by the Board of Directors or the stockholders and in which corporate officers or directors are eligible to participate, provided however that all such awards relative to the five (5) most highly compensated officers must be reported to the Board of Directors.

6. The Committee shall review on a continuing basis the Corporation's general compensation policies and practices, fringe benefits and the Corporation's compliance with its various affirmative action plans and programs. The committee shall also review and recommend to the Board of Directors for its final action all compensation plans in which elected officers or directors are eligible to participate.

7. The Committee shall review from time to time and report to the Board of Directors actions taken by management concerning the Corporation's overall executive structure and the steps being taken to assure the succession of qualified management.

8. The Committee shall have such other duties as may be lawfully delegated to it from time to time by the Board of Directors.

Section 3.16. Public Issues and Policy Committee. There shall be a Public Issues and Policy Committee of the Board of Directors which shall serve at the pleasure of the Board of Directors and be subject to its control. The Committee shall have the following membership and powers:

1. The Committee shall have at least five (5) members. At least sixty percent (60%) of the members shall be Independent Outside Directors.

2. The Committee shall review, approve and monitor the policy, organization, charter and implementation of the Northrop Grumman Employees Political Action Committee.

3. The Committee shall review and approve the policy of the Corporation for engaging the services of Consultants and Commission Agents.

4. The Committee shall review and report to the Board of Directors from time to time concerning the Corporation's compliance with the Corporation's policies, practices and procedures with respect to consultants and commission agents.

5. The Committee shall review and make policy and budget recommendations to the Board of Directors for its actions concerning proposed charitable contributions and aid to higher education to be given by the Corporation each year.

6. The Committee shall have such other duties as lawfully may be delegated to it from time to time by the Board of Directors.

Section 3.17. Finance Committee. There shall be a Finance Committee of the Board of Directors which shall serve at the pleasure of the Board of Directors and be subject to its control. The Committee shall have the following membership and powers:

1. The Committee shall have at least five (5) members. At least fifty percent (50%) of the members of the Committee shall be Independent Outside Directors. The chief financial officer of the Corporation shall be a non-voting member of the Committee.

2. The Committee shall review and give consideration to management requests for required specific new financing of a long-term nature, whether debt or equity, and make recommendations to the Board of Directors for its final action.

3. The Committee shall review the current financial condition of the Company and planned financial requirements.

4. The Committee shall review periodically the Corporation's dividend policy in connection with dividend declarations and make recommendations to the Board of Directors for its final action.

5. The Committee shall consider management's recommendations concerning acquisitions, mergers or divestments which management has determined to be of an unusual or material nature and shall make recommendations to the Board of Directors for its final action.

6. The Committee shall consider management's recommendations concerning contracts or programs which management has determined to be of an unusual or material nature and shall make recommendations to the Board of Directors for its final action.

7. The Committee shall periodically review the investment performance of the employee benefit plans, capital asset requirements and short-term investment policy when appropriate.

8. The Committee shall have such other duties as lawfully may be delegated to it from time to time by the Board of Directors.

Section 3.18. Nominating and Corporate Governance Committee. There shall be a Nominating and Corporate Governance Committee of the Board of Directors which shall serve at the pleasure of the Board of Directors and be subject to its control. The Committee shall have the following membership and powers:

1. The Committee shall have at least three (3) members. All members of the Committee shall be Independent Outside Directors.

2. The Committee shall review candidates to serve as directors and shall recommend nominees to the Board of Directors for election at each annual meeting of stockholders or other special meetings where directors are to be elected and shall recommend persons to serve as proxies to vote proxies solicited by management in connection with such meetings.

3. The Committee shall cause the names of all director candidates that are approved by the Board of Directors to be listed in the Corporation's proxy materials and shall support the election of all candidates so nominated by the Board of Directors to the extent permitted by law.

4. The Committee shall review and make recommendations to the Board of Directors for its final action concerning the composition and size of the Board of Directors, its evaluation of the performance of incumbent directors, its recommendations concerning the compensation of the Directors, its recommendations concerning directors to fill vacancies and its evaluation and recommendations concerning potential candidates to serve in the future on the Board of Directors to assure the Board's continuity and succession and its evaluation and recommendations on matters of corporate governance as appropriate.

5. The Committee shall have such other duties as lawfully may be delegated to it from time to time by the Board of Directors.

Section 3.19. Meetings of Committees. Each committee of the Board of Directors shall fix its own rules of procedure consistent with the provisions of applicable law and of any resolutions of the Board of Directors governing such committee. Each committee shall meet as provided by such rules or such resolution of the Board of Directors, and shall also meet at the call of its chairman or any two (2) members of such committee. Unless otherwise provided by such rules or by such resolution, the provisions of these Bylaws under Article III entitled "Directors" relating to the place of holding meetings and the notice required for meetings of the Board of Directors shall govern the place of meetings and notice of meetings for committees of the Board of Directors. A majority of the members of each committee shall constitute a quorum thereof, except that when a committee consists of one (1) member, then the one (1) member shall constitute a quorum. In the absence of a quorum, a majority of the members present at the time and place of any meeting may adjourn the meeting from time to time until a quorum shall be present and the meeting may be held as adjourned without further notice or waiver. Except in cases where it is otherwise provided by the rules of such committee or by a resolution of the Board of Directors, the vote of a majority of the members present at a duly constituted meeting at which a quorum is present shall be sufficient to pass any measure by the committee.

ARTICLE IV

OFFICERS

Section 4.01. Designation, Election and Term of Office. The Corporation shall have a Chairman of the Board and/or a President either of whom may be designated Chief Executive Officer by the Board of Directors, such Vice Presidents (each of whom may be assigned by the Board of Directors or the Chief Executive Officer an additional title descriptive of the functions assigned to him and one or more of whom may be designated Executive, Group or Senior Vice President) as the Board of Directors deems appropriate, a Secretary and a Treasurer. These officers shall be elected annually by the Board of Directors at the organizational meeting immediately following the annual meeting of stockholders, and each such officer shall hold office until the corresponding meeting of the Board of Directors in the next year or until his earlier resignation, death or removal. Any vacancy in any of the above offices may be filled for an unexpired portion of the term by the Board of Directors at any regular special meeting. The Chief Executive Officer may, by a writing filed with the Secretary, designate titles for employees and agents, as, from time to time, may appear necessary or advisable in the conduct of the affairs of the Corporation and, in the same manner, terminate or change such titles.

Section 4.02. Chairman of the Board. The Board of Directors shall designate the Chairman of the Board from among its members. The Chairman of the Board of Directors shall preside at all meetings of the Board and the Shareholders, and shall perform such other duties as shall be delegated to him by the Board or the officer designated as chief executive.

Section 4.03. President. The President shall perform such duties and have such responsibilities as may from time to time be delegated or assigned to him by the Board of Directors or the officer designated as chief executive.

Section 4.04. Chief Executive. The Board of Directors shall designate either the Chairman of the Board or the President to be the chief executive of the Corporation. The officer so designated shall be responsible for the general supervision, direction and control of the business and affairs of the Corporation.

Section 4.05. Chief Financial Officer. The Chief Financial Officer of the Corporation shall be responsible to the Chief Executive Officer for the management and supervision of all financial matters and to provide for the financial growth and stability of the Corporation. He shall attend all regular meetings of the Board of Directors and keep the Directors currently informed concerning all significant financial matters that could impact upon the business or affairs of the Corporation. He shall also perform such additional duties as may be assigned to him from time to time by the Board of Directors or the Chief Executive Officer.

Section 4.06. Executive Vice Presidents, Senior Vice Presidents and Vice Presidents. Executive vice presidents, senior vice presidents and vice presidents of the Corporation that are elected by the Board of Directors shall perform such duties as may be assigned to them from time to time by the Chief Executive Officer.

Section 4.07. Chief Legal Officer. The chief legal officer of the Corporation shall be the General Counsel who shall be responsible to the Chief Executive Officer for the management and supervision of all legal matters. The General Counsel shall attend all regular meetings of the Board of Directors and shall keep the Directors currently informed concerning all significant legal matters, particularly those involving important business, legal, moral or ethical issues that could impact upon the business or affairs of the Corporation.

Section 4.08. Secretary. The Secretary shall keep the minutes of the meetings of the stockholders, the Board of Directors and all committee meetings. The Secretary shall be the custodian of the corporate seal and shall affix it to all documents which he is authorized by law or the Board of Directors to sign and seal. The Secretary also shall perform such other duties as may be assigned from time to time by the Chief Executive Officer.

Section 4.09. Treasurer. The Treasurer shall be accountable to the Senior Vice President, Finance, and shall perform such duties as may be assigned to the Treasurer from time to time by the Senior Vice President, Finance.

Section 4.10. Appointed Officers. The Chief Executive Officer may appoint one or more Corporate Staff Vice Presidents, officers of groups or divisions or assistant secretaries, assistant treasurers and such other assistant officers as the business of the Corporation may

require, each of whom shall hold office for such period, have such authority and perform such duties as may be specified from time to time by the Chief Executive Officer.

Section 4.11. Absence or Disability of an Officer. In the case of the absence or disability of an officer of the Corporation the Board of Directors, or any officer designated by it, or the Chief Executive Officer may, for the time of the absence or disability, delegate such officer's duties and powers to any other officer of the Corporation.

Section 4.12. Officers Holding Two or More Offices. The same person may hold any two or more of the above-mentioned offices. However, no officer shall execute, acknowledge or verify any instrument in more than one capacity, if such instrument is required by law, by the Certificate or by these Bylaws, to be executed, acknowledged or verified by any two or more officers.

Section 4.13. Compensation. The Board of Directors shall have the power to fix the compensation of all officers and employees of the Corporation.

Section 4.14. Resignations. Any officer may resign at any time by giving written notice to the Board of Directors, to the Chief Executive Officer, or to the Secretary of the Corporation. Any such resignation shall take effect at the time specified therein unless otherwise determined by the Board of Directors. The acceptance of a resignation by the Corporation shall not be necessary to make it effective.

Section 4.15. Removal. Any officer of the Corporation may be removed, with or without cause, by the affirmative vote of a majority of the entire Board of Directors. Any assistant officer of the Corporation may be removed, with or without cause, by the Chief Executive Officer, or by the Board of Directors.

ARTICLE V

INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES AND AGENTS

Section 5.01. Right to Indemnification. Each person who was or is made a party, or is threatened to be made a party, to any actual or threatened action, suit, or proceeding, whether civil, criminal, administrative, or investigative (hereinafter a "proceeding"), by reason of the fact that he or she is or was a director, officer, employee, or agent of the Corporation (hereinafter an "indemnitee") shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended, or by other applicable law as then in effect, against all expense, liability, and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties, and amounts paid in settlement) actually and reasonably incurred or suffered by such indemnitee in connection therewith. Any person who was or is made a party, or is threatened to be made a party, to any proceeding by reason of the fact that he or she is or was serving at the request of an executive officer of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan, shall also be considered an indemnitee for the purposes of this Article. The right to

indemnification provided by this Article shall apply whether or not the basis of such proceeding is alleged action in an official capacity as such director, officer, employee or agent or in any other capacity while serving as such director, officer, employee or agent. Notwithstanding anything in this Section 5.01 to the contrary, except as provided in Section 5.03 of this Article with respect to proceedings to enforce rights to indemnification, the Corporation shall indemnify any such indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) was authorized by the Corporation.

Section 5.02. Advancement of Expenses.

(a) The right to indemnification conferred in Section 5.01 shall include the right to have the expenses incurred in defending or preparing for any such proceeding in advance of its final disposition (hereinafter an "advancement of expenses") paid by the Corporation; provided, however, that an advancement of expenses incurred by an indemnitee in his or her capacity as a director or officer (and not in any other capacity in which service was or is to be rendered by such indemnitee, including, without limitation, service to an employee benefit plan) shall be made only upon delivery to the Corporation of an undertaking containing such terms and conditions, including the requirement of security, as the Board of Directors deems appropriate (hereinafter an "undertaking"), by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal that such indemnitee is not entitled to be indemnified for such expenses under this Article or otherwise; and provided, further, that an advancement of expenses shall not be made if the Corporation's Board of Directors makes a good faith determination that such payment would violate any applicable law. The Corporation shall not be obligated to advance fees and expenses to a director, officer, employee or agent in connection with a proceeding instituted by the Corporation against such person.

(b) Notwithstanding anything in Section 5.02(a) to the contrary, the right of employees or agents to advancement of expenses shall be at the discretion of the Board of Directors and on such terms and conditions, including the requirement of security, as the Board of Directors deems appropriate. The Corporation may, by action of its Board of Directors, authorize one or more executive officers to grant rights for the advancement of expenses to employees and agents of the Corporation on such terms and conditions as such officers deem appropriate.

Section 5.03. Right of Indemnitee to Bring Suit. If a claim under Section 5.01 is not paid in full by the Corporation within sixty (60) calendar days after a written claim has been received by the Corporation, except in the case of a claim for an advancement of expenses under Section 5.02 in which case the applicable period shall be thirty (30) calendar days, the indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If the indemnitee is successful in whole or in part in any such suit, the indemnitee shall also be entitled to be paid the expense of prosecuting or defending such suit.

Section 5.04. Nonexclusivity of Rights.

(a) The rights to indemnification and to the advancement of expenses conferred in this Article shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provisions of the Certificate of Incorporation, Bylaw, agreement, vote of stockholders or disinterested directors, or otherwise. Notwithstanding any amendment to or repeal of this Article, any indemnitee shall be entitled to indemnification in accordance with the provisions hereof with respect to any acts or omissions of such indemnitee occurring prior to such amendment or repeal.

(b) The Corporation may maintain insurance, at its expense, to protect itself and any past or present director, officer, employee, or agent of the Corporation or another corporation, partnership, joint venture, trust, or other enterprise against any expense, liability, or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability, or loss under the Delaware General Corporation Law. The Corporation may enter into contracts with any indemnitee in furtherance of the provisions of this Article and may create a trust fund, grant a security interest or use other means (including, without limitation, a letter of credit) to ensure the payment of such amounts as may be necessary to effect indemnification as provided in this Article.

(c) The Corporation may without reference to Sections 5.01 through 5.04 (a) and (b) hereof, pay the expenses, including attorneys fees, incurred by any director, officer, employee or agent of the Corporation who is subpoenaed, interviewed or deposed as a witness or otherwise incurs expenses in connection with any civil, arbitration, criminal, or administrative proceeding or governmental or internal investigation to which the Corporation is a party, target, or potentially a party or target, or of any such individual who appears as a witness at any trial, proceeding or hearing to which the Corporation is a party, if the Corporation determines that such payments will benefit the Corporation and if, at the time such expenses are incurred by such individual and paid by the Corporation, such individual is not a party, and is not threatened to be made a party, to such proceeding or investigation.

ARTICLE VI

STOCK

Section 6.01. Certificates. Except as otherwise provided by law, each stockholder shall be entitled to a certificate or certificates which shall represent and certify the number and class (and series, if appropriate) of shares of stock owned by him in the Corporation. Each certificate shall be signed in the name of the Corporation by the Chairman of the Board, or the President, or a Vice President, together with the Secretary, or an Assistant Secretary, or the Treasurer or Assistant Treasurer. Any or all of the signatures on any certificate may be facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if such person were an officer, transfer agent or registrar at the date of issue.

Section 6.02. Transfer of Shares. Shares of stock shall be transferable on the books of the Corporation only by the holder thereof, in person or by his duly authorized attorney, upon the

surrender of the certificate representing the shares to be transferred, properly endorsed, to the Corporation's registrar if the Corporation has a registrar. The Board of Directors shall have power and authority to make such other rules and regulations concerning the issue, transfer and registration of certificates of the Corporation's stock as it may deem expedient.

Section 6.03. Transfer Agents and Registrars. The Corporation may have one or more transfer agents and one or more registrars of its stock whose respective duties the Board of Directors or the Secretary may, from time to time, define. No certificate of stock shall be valid until countersigned by a transfer agent, if the Corporation has a transfer agent, or until registered by a registrar, if the Corporation has a registrar. The duties of transfer agent and registrar may be combined.

Section 6.04. Stock Ledgers. Original or duplicate stock ledgers, containing the names and addresses of the stockholders of the Corporation and the number of shares of each class of stock held by them, shall be kept at the principal executive office of the Corporation or at the office of its transfer agent or registrar.

Section 6.05. Record Dates. The Board of Directors shall fix, in advance, a date as the record date for the purpose of determining stockholders entitled to notice of, or to vote at, any meeting of stockholders or any adjournment thereof, or stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock, or in order to make a determination of stockholders for any other proper purpose. Such date in any case shall be not more than sixty (60) days, and in case of a meeting of stockholders, not less than ten (10) days, prior to the date on which the particular action, requiring such determination of stockholders is to be taken. Only those stockholders of record on the date so fixed shall be entitled to any of the foregoing rights, notwithstanding the transfer of any such stock on the books of the Corporation after any such record date fixed by the Board of Directors.

Section 6.06. New Certificates. In case any certificate of stock is lost, stolen, mutilated or destroyed, the Board of Directors may authorize the issuance of a new certificate in place thereof upon such terms and conditions as it may deem advisable; or the Board of Directors may delegate such power to any officer or officers or agents of the Corporation; but the Board of Directors or such officer or officers or agents, in their discretion, may refuse to issue such a new certificate unless the Corporation is ordered to do so by a court of competent jurisdiction.

ARTICLE VII

RESTRICTIONS ON SECURITIES REPURCHASES

Section 7.01. Restrictions on Securities Repurchases.

1. Vote Required for Certain Acquisition of Securities. Except as set forth in Subsection 2 of this Section 7.01, in addition to any affirmative vote of stockholders required by any provision of law, the Certificate of Incorporation or Bylaws of this Corporation, or any policy adopted by the Board of Directors, neither the Corporation nor any Subsidiary shall knowingly effect any direct or indirect purchase or other acquisition

of any equity security of a class of securities which is registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), issued by the Corporation at a price which is in excess of the highest Market Price of such equity security on the largest principal national securities exchange in the United States on which such security is listed for trading on the date that the understanding to effect such transaction is entered into by the Corporation (whether or not such transaction is concluded or a written agreement relating to such transaction is executed on such date, and such date to be conclusively established by determination of the Board of Directors), from any Interested Person, without the affirmative vote of the holders of the Voting Shares representing at least a majority of the aggregate voting power of all outstanding voting shares, excluding Voting Shares beneficially owned by such Interested Person, voting together as a single class. Such affirmative vote shall be required notwithstanding the fact that no vote may be required, or that a lesser percentage may be specified, by law or any agreement with any national securities exchange, or otherwise.

2. When a Vote is Not Required. The provisions of Subsection 1 of this Section 7.01 shall not be applicable with respect to:

a. any purchase, acquisition, redemption or exchange of such equity securities, the purchase, acquisition, redemption or exchange of which is provided for in the Corporation's Certificate of Incorporation;

b. any purchase or other acquisition of equity securities made as part of a tender or exchange offer by the Corporation to purchase securities of the same class made on the same terms to all holders of such securities and complying with the applicable requirements of the Exchange Act of 1934, as amended and the rules and regulations thereunder (or any successor provisions to such Act, rules or regulations);

c. any purchase or acquisition of equity securities made pursuant to an open market purchase program which has been approved by the Board of Directors.

3. Certain Definitions. For the purpose of this Section:

a. "Affiliate" and "Associate" shall have their respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Exchange Act, as in effect on January 1, 2001.

b. "Beneficial Owner" and "Beneficial Ownership" shall have the meanings ascribed to such terms in Rule 13d-3 and Rule 13d-5 of the General Rules and Regulations under the Exchange Act, as in effect on January 1, 2001.

c. "Interested person" shall mean any person (other than the Corporation or any subsidiary) that is the direct or indirect Beneficial Owner of five percent (5%) or more of the aggregate voting power of the Voting Shares, and any Affiliate or Associate of any such person. For the purpose of determining whether a person is an Interested Person, the outstanding Voting Shares include

unissued shares of voting stock of the Corporation of which the Interested Person is the Beneficial Owner, but shall not include any other shares of voting stock of the Corporation which may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise or conversion of rights, warrants or options, or otherwise to any person who is not the Interested Person.

d. "Market Price" of shares of the class of equity security of the Corporation on any day shall mean the highest sale price (regular way) of shares of such class of such equity security on such day, or, if that day is not a trading day, on the trading day immediately preceding such day, on the largest principal national securities exchange on which such class of stock is then listed or admitted to trading, or if not listed or admitted to trading on any national securities exchange, then the highest reported sale price for such shares in the over-the-counter market as reported on the NASDAQ National Market System, or if such sale price shall not be reported thereon, the highest bid price so reported, or, of such price shall not be reported thereon, as the same shall be reported by the National Quotation Bureau, Incorporated, or if the price is not determinable as set forth above, as determined in good faith by the Board of Directors.

e. "Person" shall mean any individual, partnership, firm, corporation, association, trust, unincorporated organization or other entity, as well as any syndicate or group deemed to be a person pursuant to Section 13(d)(3) of the Exchange Act, as in effect on January 1, 2001.

f. "Subsidiary" shall mean any company or entity of which the Corporation owns, directly or indirectly, (i) a majority of the outstanding shares of equity securities, or (ii) shares having a majority of the voting power represented by all of the outstanding Voting Stock of such company entitled to vote generally in the election of directors. For the purpose of determining whether a company is a Subsidiary, the outstanding voting stock and shares of equity securities thereof shall include unissued shares of which The Corporation is the beneficial owner but, except for the purpose of determining whether a company is a Subsidiary for the purpose of Subsection 3(c) hereof shall not include any shares which may be issuable pursuant to any agreement, arrangement, or understanding, or upon the exercise of conversion rights, warrants or options, or otherwise to any Person who is not the Corporation.

g. "Voting shares" shall mean the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors.

ARTICLE VIII

SUNDRY PROVISIONS

Section 8.01. Fiscal Year. The fiscal year of the Corporation shall end on the 31st day of December of each year.

Section 8.02. Seal. The seal of the Corporation shall bear the name of the Corporation and the words "Delaware" and "Incorporated January 16, 2001."

Section 8.03. Voting of Stock in Other Corporations. Any shares of stock in other corporations or associations, which may from time to time be held by the Corporation, may be represented and voted at any of the stockholders' meetings thereof by the Chief Executive Officer or his designee. The Board of Directors, however, may by resolution appoint some other person or persons to vote such shares, in which case such person or persons shall be entitled to vote such shares upon the production of a certified copy of such resolution.

Section 8.04. Amendments. These Bylaws may be adopted, repealed, rescinded, altered or amended only as provided in Articles Fifth and Sixth of the Certificate.

EXHIBIT 4.2

FORM OF
CERTIFICATE OF DESIGNATIONS, PREFERENCES AND RIGHTS OF
SERIES B PREFERRED STOCK OF NORTHROP
GRUMMAN CORPORATION

Pursuant to Section 151 of the General Corporation Law of the State of Delaware, Northrop Grumman Corporation, a Delaware corporation (the "Corporation"), certifies that pursuant to the authority contained in Article FOURTH of its Certificate of Incorporation, and in accordance with the provisions of Section 151 of the General Corporation Law of the State of Delaware, its Board of Directors has adopted the following resolution creating a series of its Preferred Stock, par value $1.00 per share, designated as Series B Convertible Preferred Stock:

RESOLVED, that a series of the authorized Preferred Stock, par value $1.00 per share, of the Corporation be hereby created, and that the designation and amount thereof and the voting powers, preferences and relative, participating, optional and other special rights of the shares of such series, and the qualifications, limitations or restrictions thereof are as follows:

Section 1. Designation and Amount. The shares of such series shall be designated as the "Series B Convertible Preferred Stock" (the "Series B Convertible Preferred Stock") and the number of shares constituting such series shall be 3,500,000.

Section 2. Dividends. The holders of shares of Series B Convertible Preferred Stock shall be entitled to receive cumulative cash dividends when, as and if declared by the Board of Directors out of any funds legally available therefor, at the rate per year herein specified, payable quarterly at the rate of one-fourth of such amount on the fifteenth day (or, if such day is not a business day, on the first business day thereafter) of January, April, July and October in each year. The rate of dividends shall [initially] be [$9.00] per year per share/1/. [Thereafter, the rate

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/1/ If the initial date of issue is after the 2001 annual meeting of stockholders, this provision will be modified to reflect the vote at such meeting. If Stockholder Approval was obtained, the dividend rate shall be $7.00 per year and the provision relating to future Stockholder Approval will be deleted. If Stockholder Approval was not obtained, the initial dividend rate shall be $9.00 per year and the provision for a future downward adjustment following Stockholder Approval will be retained.

If the initial date of issue is before the 2001 annual meeting, the initial dividend rate shall be $7.00 per year. If Stockholder Approval is obtained at the 2001 annual meeting, the dividend rate shall remain at such level. If Stockholder Approval is not obtained at the 2001 annual meeting, the dividend rate shall increase to $9.00 per year, after the October 2001 dividend payment date, subject to future downward adjustment if Stockholder Approval is obtained.

of dividends shall be reduced to $7.00 per year per share after the first quarterly dividend payment following the date, if any, on which the stockholders of the Corporation shall have approved the issuance of all common stock, par value $1.00 per share, of the Corporation ("Common Stock") issuable upon conversion of the Series B Convertible Preferred Stock (such stockholder approval being referred to herein as the "Stockholder Approval").] [Thereafter, the rate of dividends shall be increased to $9.00 per share per year after the October 2001 dividend payment date if the stockholders of the Corporation shall not have, prior to that time, approved the issuance of all Common Stock issuable upon conversion of the Series B Convertible Preferred Stock.] [The rate of dividends shall be decreased to $7.00 per share after the first quarterly dividend payment date after Stockholder Approval is obtained.] Cash dividends upon the Series B Convertible Preferred Stock shall commence to accrue and shall be cumulative from the date of issuance.

If the dividend for any dividend period shall not have been paid or set apart in full for the Series B Convertible Preferred Stock, the deficiency shall be fully paid or set apart for payment before (i) any distributions or dividends, other than distributions or dividends paid in stock ranking junior to the Series B Convertible Preferred Stock as to dividends, redemption payments and rights upon liquidation, dissolution or winding up of the Corporation, shall be paid upon or set apart for Common Stock or stock of any other class or series of Preferred Stock ranking junior to the Series B Convertible Preferred Stock as to dividends, redemption payments or rights upon liquidation, dissolution or winding up of the Corporation; and (ii) any Common Stock or shares of Preferred Stock of any class or series ranking junior to the Series B Convertible Preferred Stock as to dividends, redemption payments or rights upon liquidation, dissolution or winding up of the Corporation shall be redeemed, repurchased or otherwise acquired for any consideration other than stock ranking junior to the Series B Preferred Stock as to dividends, redemption payments and rights upon liquidation, dissolution or winding up of the Corporation. No distribution or dividend shall be paid upon, or declared and set apart for, any shares of Preferred Stock ranking on a parity with the Series B Convertible Preferred Stock as to dividends, redemption payments or rights upon liquidation, dissolution or winding up of the Corporation for any dividend period unless at the same time a like proportionate distribution or dividend for the same or similar dividend period, ratably in proportion to the respective annual dividends fixed therefor, shall be paid upon or declared and set apart for all shares of Preferred Stock of all series so ranking then outstanding and entitled to receive such dividend.

Section 3. Voting Rights. Except as provided herein or as may otherwise be required by law, the holders of shares of Series B Convertible Preferred Stock shall not be entitled to any voting rights as stockholders with respect to such shares.

(a) So long as any shares of Series B Convertible Preferred Stock shall be outstanding, the Corporation shall not, without the affirmative vote of the holders of at least two-thirds of the aggregate number of shares of Series B Convertible Preferred Stock at the time

outstanding, by an amendment to the Restated Certificate of Incorporation, by merger or consolidation, or in any other manner:

(i) authorize any class or series of stock ranking prior to the Series B Convertible Preferred Stock as to dividends, redemption payments or rights upon liquidation, dissolution or winding up of the Corporation;

(ii) alter or change the preferences, special rights, or powers given to the Series B Convertible Preferred Stock so as to affect such class of stock adversely, but nothing in this clause (ii) shall require such a class vote (x) in connection with any increase in the total number of authorized shares of Common Stock or Preferred Stock; (y) in connection with the authorization or increase in the total number of authorized shares of any class of stock ranking on a parity with the Series B Convertible Preferred Stock; or (z) in connection with the fixing of any of the particulars of shares of any other series of Preferred Stock ranking on a parity with the Series B Convertible Preferred Stock that may be fixed by the Board of Directors as provided in Article FOURTH of the Certificate of Incorporation; or

(iii) directly or indirectly purchase or redeem less than all of the Series B Convertible Preferred Stock at the time outstanding unless the full dividends to which all shares of the Series B Convertible Preferred Stock then outstanding shall then be entitled shall have been paid or declared and a sum sufficient for the payment thereof set apart.

(b) If and whenever accrued dividends on the Series B Convertible Preferred Stock shall not have been paid or declared and a sum sufficient for the payment thereof set aside for six quarterly dividend periods (whether or not consecutive), then and in such event, the holders of the Series B Convertible Preferred Stock, voting separately as a class, shall be entitled to elect two directors at any annual meeting of the stockholders or any special meeting held in place thereof, or at a special meeting of the holders of the Series B Convertible Preferred Stock called as hereinafter provided. Such right of the holders of the Series B Convertible Preferred Stock to elect two directors may be exercised until the dividends in default on the Series B Convertible Preferred Stock shall have been paid in full or funds sufficient therefor set aside; and when so paid or provided for, then the right of the holders of the Series B Convertible Preferred Stock to elect such number of directors shall cease, but subject always to the same provisions for the vesting of such voting rights in the case of any such future default or defaults. At any time after such voting power shall have so vested in the holders of the Series B Convertible Preferred Stock, the Secretary of the Corporation may, and upon the written request of the holders of record of ten percent (10%) or more in amount of the Series B Convertible Preferred Stock then outstanding addressed to him at the principal executive office of the Corporation shall, call a special meeting of the holders of the Series B Convertible Preferred Stock for the election of the directors to be elected by them as hereinafter provided, to be held within sixty (60) days after delivery of such request and at the place and upon the notice provided by law and in the bylaws of the Corporation for the holding of meetings of stockholders; provided, however, that the Secretary shall not be
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required to call such special meeting in the case of any such request received less than ninety (90) days before the date fixed for the next ensuing annual meeting of stockholders. If at any such annual or special meeting or any adjournment thereof the holders of at least a majority of the Series B Convertible Preferred Stock then outstanding and entitled to

vote thereat shall be present or represented by proxy, then, by vote of the holders of at least a majority of the Series B Convertible Preferred Stock present or so represented at such meeting, the then authorized number of directors of the Corporation shall be increased by two, and the holders of the Series B Convertible Preferred Stock shall be entitled to elect the additional directors so provided for. The directors so elected shall serve until the next annual meeting or until their respective successors shall be elected and shall qualify; provided, however, that whenever the holders of the Series B
Convertible Preferred Stock shall be divested of voting power as above provided, the terms of office of all persons elected as directors by the holders of the Series B Convertible Preferred Stock as a class shall forthwith terminate and the number of the Board of Directors shall be reduced accordingly.

(c) If, during any interval between any special meeting of the holders of the Series B Convertible Preferred Stock for the election of directors to be elected by them as provided in this Section 3 and the next ensuing annual meeting of stockholders, or between annual meetings of stockholders for the election of directors, and while the holders of the Series B Convertible Preferred Stock shall be entitled to elect two directors, the number of directors who have been elected by the holders of the Series B Convertible Preferred Stock shall, by reason of resignation, death, or removal, be less than the total number of directors subject to election by the holders of the Series B Convertible Preferred Stock, (i) the vacancy or vacancies in the directors elected by the holders of the Series B Convertible Preferred Stock shall be filled by the remaining director then in office, if any, who was elected by the holders of the Series B Convertible Preferred Stock, although less than a quorum, and (ii) if not so filled within sixty (60) days after the creation thereof, the Secretary of the Corporation shall call a special meeting of the holders of the Series B Convertible Preferred Stock and such vacancy or vacancies shall be filled at such special meeting. Any director elected to fill any such vacancy by the remaining director then in office may be removed from office by vote of the holders of a majority of the shares of the Series B Convertible Preferred Stock. A special meeting of the holders of the Series B Convertible Preferred Stock may be called by a majority vote of the Board of Directors for the purpose of removing such director. The Secretary of the Corporation shall, in any event, within ten (10) days after delivery to the Corporation at its principal office of a request to such effect signed by the holders of at least ten percent (10%) of the outstanding shares of the Series B Convertible Preferred Stock, call a special meeting for such purpose to be held within sixty (60) days after delivery of such request; provided, however, that
the Secretary shall not be required to call such a special meeting in the case of any such request received less than ninety (90) days before the date fixed for the next ensuing annual meeting of stockholders.

Section 4. Redemption.

(a) Shares of Series B Convertible Preferred Stock shall not be redeemable except as follows:

(i) All, but not less than all, of the shares of Series B Convertible Preferred Stock shall be redeemed for cash in an amount equal to (X) if prior to Stockholder Approval, the greater of (a) the Liquidation Value plus all accrued and unpaid dividends with respect to such shares, whether or not declared, and (b) the Current Market Price of the number of shares of Common Stock which would be issued to such holders if all shares of Series B Convertible Preferred Stock were converted into Common Stock on the

Redemption Date pursuant to Section 8; and (Y) after Stockholder Approval, the Liquidation Value plus all dividends with respect to such shares, whether or not declared, accrued and unpaid as of the Redemption Date, as defined below, on the first day after the twentieth anniversary of the initial issuance of the Series B Convertible Preferred Stock.

(ii) All, but not less than all, of the shares of Series B Convertible Preferred Stock may be redeemed at the option of the Corporation at any time after the seventh anniversary of the initial issuance of the Series B Convertible Preferred Stock. Any redemption pursuant to this clause (ii) shall be solely for Common Stock of the Corporation and at the Redemption Date each holder of shares of Series B Convertible Preferred Stock shall be entitled to receive, in exchange and upon surrender of the certificate therefor, that number of fully paid and nonassessable shares of Common Stock determined by dividing (X) if prior to Stockholder Approval, the greater of (a) the Liquidation Value plus all accrued and unpaid dividends with respect to such shares, whether or not declared, and (b) the Current Market Price of the number of shares of Common Stock which would be issued if all shares of Series B Convertible Preferred Stock were converted into Common Stock pursuant to Section 8 on the Redemption Date; or (Y) if after Stockholder Approval, the Liquidation Value plus all accrued and unpaid dividends with respect to such shares, whether or not declared thereon to the Redemption Date, by (Z) the Current Market Price of the Common Stock as of the Redemption Date; provided, however, that if prior to the Redemption Date there shall have occurred a Transaction, as defined in Section 8(b)(iii), the consideration deliverable in any such exchange shall be the Alternate Consideration as provided in Section 12.

(b) Notice of every mandatory or optional redemption shall be mailed at least thirty (30) days but not more than fifty (50) days prior to the Redemption Date to the holders of record of the shares of Series B Convertible Preferred Stock so to be redeemed at their respective addresses as they appear upon the books of the Corporation. Each such notice shall specify the date on which such redemption shall be effective (the "Redemption Date"), the redemption price or manner of calculating the redemption price and the place where certificates for the Series B Convertible Preferred Stock are to be surrendered for cancellation.

(c) On the date that redemption is being made pursuant to paragraph (a) of this Section 4, the Corporation shall deposit for the benefit of the holders of shares of Series B Convertible Preferred Stock the funds, or stock certificates for Common Stock, necessary for such redemption with a bank or trust company in the Borough of Manhattan, the City of New York, having a capital and surplus of at least $1,000,000,000. Dividends paid on Common Stock held for the benefit of the holders of shares of Series B Convertible Preferred Stock hereunder shall be held for the benefit of such holders and paid over, without interest, on surrender of certificates for the Series B Convertible Preferred Stock. Any monies or stock certificates so deposited by the Corporation and unclaimed at the end of one year from the Redemption Date shall revert to the Corporation. After such reversion, any such bank or trust company shall, upon demand, pay over to the Corporation such unclaimed amounts or deliver such stock certificates and thereupon such bank or trust company shall be relieved of all responsibility in respect thereof and any holder of shares of Series B Convertible Preferred Stock shall look only to the Corporation for the payment of the redemption price. Any interest accrued on funds deposited

pursuant to this paragraph (c) shall be paid from time to time to the Corporation for its own account.

(d) Upon the deposit of funds or certificates for Common Stock pursuant to paragraph (c) in respect of shares of Series B Convertible Preferred Stock being redeemed pursuant to paragraph (a) of this Section 4, notwithstanding that any certificates for such shares shall not have been surrendered for cancellation, the shares represented thereby shall on and after the Redemption Date no longer be deemed outstanding, and all rights of the holders of shares of Series B Convertible Preferred Stock shall cease and terminate, excepting only the right to receive the redemption price therefor. Nothing in this Section 4 shall limit the right of a holder to convert shares of Series B Convertible Preferred Stock pursuant to Section 8 at any time prior to the Redemption Date, even if such shares have been called for redemption pursuant to Section 4(a).

(e) In connection with any redemption pursuant to clause (ii) of paragraph (a) of this Section 4, no fraction of a share of common stock shall be issued, but in lieu thereof the Corporation shall pay a cash adjustment in respect of such fractional interest in an amount equal to such fractional interest multiplied by the Current Market Price per share of Common Stock on the Redemption Date.

Section 5. Fundamental Change in Control.

(a) Not later than 10 business days following a Fundamental Change in Control, as defined below, the Corporation shall mail notice to the holders of Series B Convertible Preferred Stock stating that a Fundamental Change in Control has occurred and advising such holders of their right to exchange (the "Exchange Right") any and all shares of Series B Convertible Preferred Stock for shares of Common Stock as provided herein; provided, however, that if prior to
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the Exchange Date (as defined below) there shall have occurred a Transaction, as defined in Section 8(b)(iii), the consideration deliverable in any such exchange shall be the Alternate Consideration as provided in Section 12. Such notice shall state: (i) the date on which such exchanges shall be effective (the "Exchange Date"), which shall be the 21st business day from the date of giving such notice; (ii) the number of shares of Common Stock (or Alternate Consideration) for which each share of Series B Convertible Preferred Stock may be exchanged; and (iii) the method by which each holder may give notice of its exercise of the Exchange Right; and (iv) the method and place for delivery of certificates for Series B Convertible Preferred Stock in connection with exchanges pursuant hereto. For a period of twenty (20) business days following the notice provided herein, each holder of Series B Convertible Preferred Stock may exercise the Exchange Right as provided herein.

(b) Pursuant to the Exchange Right, each share of Series B Convertible Preferred Stock shall be exchanged for that number of shares of Common Stock determined by dividing an amount equal to (X) if prior to Stockholder Approval, the greater of (a) the Liquidation Value plus all dividends accrued and unpaid with respect to such share as of the Exchange Date, whether or not declared, and (b) the Current Market Price of the number of shares of Common Stock which would be issued if such share of Series B Convertible Preferred Stock were converted into Common Stock pursuant to Section 8 on the Exchange Date; or (Y) if after Stockholder Approval, the Liquidation Value plus all dividends accrued and unpaid with respect

to such share as of the Exchange Date, whether or not declared, in each case by the Current Market Price per share of Common Stock as of the Exchange Date.

(c) The holder of any share of Series B Convertible Preferred Stock may exercise the Exchange Right by surrendering for such purpose to the Corporation, at its principal office or at such other office or agency maintained by the Corporation for that purpose, a certificate or certificates representing the shares of Series B Convertible Preferred Stock to be exchanged accompanied by a written notice stating that such holder elects to exercise the Exchange Right as to all or a specified number of such shares in accordance with this Section 5 and specifying the name or names in which such holder wishes the certificate or certificates for shares of Common Stock to which such holder is entitled to be issued and such other customary documents as are necessary to effect the exchange. In case such notice shall specify a name or names other than that of such holder, such notice shall be accompanied by payment of all transfer taxes payable upon the issuance in such name or names of shares of Common Stock to which such holder has become entitled. Other than such taxes, the Corporation will pay any and all issue and other taxes (other than taxes based on income) that may be payable in respect of any issue or delivery of shares of Common Stock to which such holder has become entitled on exchange of shares of Series B Convertible Preferred Stock pursuant hereto. As promptly as practicable, and in any event within five (5) business days after the surrender of such certificate or certificates and the receipt of such notice relating thereto and, if applicable, payment of all transfer taxes (or the demonstration to the satisfaction of the Corporation that such taxes have been paid), the Corporation shall deliver or cause to be delivered certificates representing the number of validly issued, fully paid and nonassessable shares of Common Stock to which the holder of shares of Series B Convertible Preferred Stock so exchanged shall be entitled.

(d) From and after the Exchange Date, a holder of shares of Series B Convertible Preferred Stock who has elected to exchange such shares for Common Stock as herein provided shall have no voting or other rights with respect to the shares of Series B Convertible Preferred Stock subject thereto, other than the right to receive the Common Stock provided herein upon delivery of the certificate or certificates evidencing shares of Series B Convertible Preferred Stock.

(e) In connection with the exchange of any shares of Series B Convertible Preferred Stock, no fraction of a share of Common Stock shall be issued, but in lieu thereof the Corporation shall pay a cash adjustment in respect of such fractional interest in an amount equal to such fractional interest multiplied by the Current Market Price per share of Common Stock on the Exchange Date.

(f) The Corporation shall at all times reserve and keep available out of its authorized and unissued Common Stock, solely for the purpose of the Exchange Rights provided herein, such number of shares of Common Stock as shall from time to time be sufficient to effect the exchange provided herein. The Corporation shall from time to time, in accordance with the laws of Delaware, increase the authorized amount of Common Stock if at any time the number of authorized shares of Common Stock remaining unissued shall not be sufficient to permit the exchange of all then outstanding shares of Series B Convertible Preferred Stock.

(g) As used herein, the term "Fundamental Change in Control" shall mean any merger, consolidation, sale of all or substantially all of the Corporation's assets, liquidation or recapitalization (other than solely a change in the par value of equity securities) of the Common Stock in which more than one-third of the previously outstanding Common Stock shall be changed into or exchanged for cash, property or securities other than capital stock of the Corporation or another corporation ("Non Stock Consideration"). For purposes of the preceding sentence, any transaction in which shares of Common Stock shall be changed into or exchanged for a combination of Non Stock Consideration and capital stock of the Corporation or another corporation shall be deemed to have involved the exchange of a number of shares of Common Stock for Non Stock Consideration equal to the total number of shares exchanged multiplied by a fraction in which the numerator is the Fair Market Value of the Non Stock Consideration and the denominator is the Fair Market Value of the total consideration in such exchange, each as determined by a resolution of the Board of Directors of the Corporation.

Section 6. Reacquired Shares. Any shares of Series B Convertible Preferred Stock converted, redeemed, exchanged, purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares shall upon their cancellation, and upon the filing of an appropriate certificate with the Secretary of State of the State of Delaware, become authorized but unissued shares of Preferred Stock, par value $1.00 per share, of the Corporation and may be reissued as part of another series of Preferred Stock, par value $1.00 per share, of the Corporation subject to the conditions or restrictions on issuance set forth herein.

Section 7. Liquidation, Dissolution or Winding Up.

(a) Except as provided in paragraph (b) of this Section 7, upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, no distribution shall be made (i) to the holders of shares of capital stock of the Corporation ranking junior as to dividends, redemption payments and rights upon liquidation, dissolution or winding up of the Corporation to the Series B Convertible Preferred Stock unless, prior thereto, the holders of shares of Series B Convertible Preferred Stock shall have received (X) if prior to Stockholder Approval, the greater of (a) the Liquidation Value plus all accrued and unpaid dividends with respect to such shares, whether or not declared, and (b) the amount which would be distributed to such holders if all shares of Series B Convertible Preferred Stock had been converted into Common Stock pursuant to Section 8; and (Y) after Stockholder Approval, the Liquidation Value plus all accrued and unpaid dividends with respect to such shares, whether or not declared or (ii) to the holders of shares of capital stock ranking on a parity with the Series B Convertible Preferred Stock as to dividends, redemption payments and rights upon liquidation, dissolution or winding up of the Corporation, except distributions made ratably on the Series B Convertible Preferred Stock and all such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up. The Liquidation Value shall be $100.00 per share.

(b) If the Corporation shall commence a voluntary case under the Federal bankruptcy laws or any other applicable Federal or State bankruptcy, insolvency or similar law, or consent to the entry of an order for relief in an involuntary case under any such law or to the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) of the

Corporation or of any substantial part of its property, or make an assignment for the benefit of its creditors, or admit in writing its inability to pay its debts generally as they become due, or if a decree or order for relief in respect of the Corporation shall be entered by a court having jurisdiction in the premises in an involuntary case under the Federal bankruptcy laws or any other applicable Federal or State bankruptcy, insolvency or similar law, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) of the Corporation or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and on account of any such event the Corporation shall liquidate, dissolve or wind up, no distribution shall be made (i) to the holders of shares of capital stock of the Corporation ranking junior to the Series B Convertible Preferred Stock as to dividends, redemption payments and rights upon liquidation, dissolution or winding up of the Corporation unless, prior thereto, the holders of shares of Series B Convertible Preferred Stock shall have received (X) if prior to Stockholder Approval, the greater of (a) the Liquidation Value plus all accrued and unpaid dividends with respect to such shares, whether or not declared, and (b) the amount which would be distributed to such holders if all shares of Series B Convertible Preferred Stock had been converted into Common Stock pursuant to Section 8; and (Y) after Stockholder Approval, the Liquidation Value plus all accrued and unpaid dividends with respect to such shares, whether or not declared, or (ii) to the holders of shares of capital stock ranking on a parity with the Series B Convertible Preferred Stock as to dividends, redemption payments and rights upon liquidation, dissolution or winding up of the Corporation, except distributions made ratably on the Series B Convertible Preferred Stock and all such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up.

(c) Neither the consolidation, merger or other business combination of the Corporation with or into any other Person or Persons nor the sale of all or substantially all of the assets of the Corporation shall be deemed to be a liquidation, dissolution or winding up of the Corporation for purposes of this Section 7.

Section 8. Conversion. Subject to the condition that the Stockholder Approval shall first have been obtained, each share of Series B Convertible Preferred Stock shall be convertible, at any time, at the option of the holder thereof into the right to receive shares of Common Stock, on the terms and conditions set forth in this Section 8.

(a) Subject to the provisions for adjustment hereinafter set forth, each share of Series B Convertible Preferred Stock shall be converted into the right to receive a number of fully paid and nonassessable shares of Common Stock, which shall be equal to the Liquidation Value divided by the Conversion Price, as herein defined. Initially the Conversion Price shall be 127% of $_____./2/ The Conversion Price shall be subject to adjustment as provided in this Section 8.

(b) The Conversion Price shall be subject to adjustment from time to time as follows:

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/2/ The blank will be filled with an amount equal to the Average Parent Price, as defined in the Amended and Restated Agreement and Plan of Merger.

(i) In case the Corporation shall at any time or from time to time declare a dividend, or make a distribution, on the outstanding shares of Common Stock in shares of Common Stock or subdivide or reclassify the outstanding shares of Common Stock into a greater number of shares or combine or reclassify the outstanding shares of Common Stock into a smaller number of shares of Common Stock, or shall declare, order, pay or make a dividend or other distribution on any other class or series of capital stock, which dividend or distribution includes Common Stock then, and in each such case, the Conversion Price shall be adjusted to equal the number determined by multiplying (A) the Conversion Price immediately prior to such adjustment by (B) a fraction, the denominator of which shall be the number of shares of Common Stock outstanding immediately after such dividend, distribution, subdivision or reclassification, and the numerator of which shall be the number of shares of Common Stock outstanding immediately before such dividend, distribution, subdivision or reclassification. An adjustment made pursuant to this clause (i) shall become effective (A) in the case of any such dividend or distribution, immediately after the close of business on the record date for the determination of holders of shares of Common Stock entitled to receive such dividend or distribution, or (B) in the case of any such subdivision, reclassification or combination, at the close of business on the day upon which such corporate action becomes effective.

(ii) In case the Corporation shall at any time or from time to time declare, order, pay or make a dividend or other distribution (including, without limitation, any distribution of stock, evidences of indebtedness or other securities, cash or other property or rights or warrants to subscribe for securities of the Corporation or any of its Subsidiaries by way of distribution, dividend or spinoff, but excluding regular ordinary cash dividends as may be declared from time to time by the Corporation) on its Common Stock, other than a distribution or dividend of shares of Common Stock that is referred to in clause (i) of this paragraph (b), then, and in each such case, the Conversion Price shall be adjusted to equal the number determined by multiplying (A) the Conversion Price immediately prior to the record date fixed for the determination of stockholders entitled to receive such dividend or distribution by (B) a fraction, the denominator of which shall be the Current Market Price per share of Common Stock on the last Trading Day on which purchasers of Common Stock in regular way trading would be entitled to receive such dividend or distribution and the numerator of which shall be the Current Market Price per share of Common Stock on the first Trading Day on which purchasers of Common Stock in regular way trading would not be entitled to receive such dividend or distribution (the "Ex-dividend Date"); provided that the fraction determined by the foregoing clause (B) shall not be greater than 1. An adjustment made pursuant to this clause (ii) shall be effective at the close of business on the Ex-dividend Date. If the Corporation completes a tender offer or otherwise repurchases shares of Common Stock in a single transaction or a related series of transactions, provided such tender offer or offer to repurchase is open to all or substantially all holders of Common Stock (not including open market or other selective repurchase programs), the Conversion Price shall be adjusted as though (A) the Corporation had effected a reverse split of the Common Stock to reduce the number of shares of Common Stock outstanding from (x) the number outstanding immediately prior to the completion of the tender offer or the first repurchase for which the adjustment is being made to (y) the number outstanding

immediately after the completion of the tender offer or the last repurchase for which the adjustment is being made and (B) the Corporation had paid a dividend on the Common Stock outstanding immediately after completion of the tender offer or the last repurchase for which the adjustment is being made in an aggregate amount equal to the aggregate consideration paid by the Corporation pursuant to the tender offer or the repurchases for which the adjustment is being made (the "Aggregate Consideration"); provided that in no event shall the Conversion Price be increased as a result of the foregoing adjustment. In applying the first two sentences of this Section 8(b)(ii) to the event described in clause (B) of the preceding sentence, the Current Market Price of the Common Stock on the date immediately following the closing of any such tender offer or on the date of the last repurchase shall be taken as the value of the Common Stock on the Ex-Dividend Date, and the value of the Common Stock on the day preceding the Ex-Dividend Date shall be assumed to be equal to the sum of (x) the value on the Ex-Dividend Date and (y) the per share amount of the dividend described in such clause (B) computed by dividing the Aggregate Consideration by the number of shares of Common Stock outstanding after the completion of such tender offer or repurchase. In the event that any of the consideration paid by the Corporation in any tender offer or repurchase to which this Section 8(b)(ii) applies is in a form other than cash, the value of such consideration shall be determined by an independent investment banking firm of nationally recognized standing to be selected by the Board of Directors of the Corporation.

(iii) In case at any time the Corporation shall be a party to any transaction (including, without limitation, a merger, consolidation, sale of all or substantially all of the Corporation's assets, liquidation or recapitalization (other than solely a change in the par value of equity securities) of the Common Stock and excluding any transaction to which clause (i) or (ii) of this paragraph (b) applies) in which the previously outstanding Common Stock shall be changed into or exchanged for different securities of the Corporation or common stock or other securities of another corporation or interests in a noncorporate entity or other property (including cash) or any combination of any of the foregoing (each such transaction being herein called the "Transaction"), then each Share of Series B Convertible Preferred Stock then outstanding shall thereafter be convertible into, in lieu of the Common Stock issuable upon such conversion prior to consummation of such Transaction, the kind and amount of shares of stock and other securities and property receivable (including cash) upon the consummation of such Transaction by a holder of that number of shares of Common Stock into which one share of Series B Convertible Preferred Stock would have been convertible (without giving effect to any restriction on convertibility) immediately prior to such Transaction including, on a pro rata basis, the cash, securities or property received by holders of Common Stock in any such transaction. The Corporation shall not be a party to a Transaction that does not expressly contemplate and provide for the foregoing.

(iv) If any event occurs as to which the foregoing provisions of this Section 8(b) are not strictly applicable but the failure to make any adjustment to the Conversion Price or other conversion mechanics would not fully and equitably protect the conversion rights of the Series B Preferred Stock in accordance with the essential intent and principles of such provisions, then in each such case the Board of Directors of the Corporation shall make such appropriate adjustments to the Conversion Price or other

conversion mechanics (on a basis consistent with the essential intent and principles established in this Section 8) as may be necessary to fully and equitably preserve, without dilution or diminution, the conversion rights of the Series B Convertible Preferred Stock.

(c) If any adjustment required pursuant to this Section 8 would result in an increase or decrease of less than 1% in the Conversion Price, the amount of any such adjustment shall be carried forward and adjustment with respect thereto shall be made at the time of and together with any subsequent adjustment, which, together with such amount and any other amount or amounts so carried forward, shall aggregate at least 1% of the Conversion Price.

(d) The Board of Directors may at its option increase the number of shares of Common Stock into which each share of Series B Convertible Preferred Stock may be converted, in addition to the adjustments required by this Section 8, as shall be determined by it (as evidenced by a resolution of the Board of Directors) to be advisable in order to avoid or diminish any income deemed to be received by any holder for federal income tax purposes of shares of Common Stock or Series B Convertible Preferred Stock resulting from any events or occurrences giving rise to adjustments pursuant to this Section 8 or from any other similar event.

(e) The holder of any shares of Series B Convertible Preferred Stock may exercise his right to receive in respect of such shares the shares of Common Stock or other property or securities, as the case may be, to which such holder is entitled by surrendering for such purpose to the Corporation, at its principal office or at such other office or agency maintained by the Corporation for that purpose, a certificate or certificates representing the shares of Series B Convertible Preferred Stock to be converted, accompanied by a written notice stating that such holder elects to convert all or a specified number of such shares in accordance with this Section 8 and specifying the name or names in which such holder wishes the certificate or certificates for shares of Common Stock or other property or securities, as the case may be, to which such holder is entitled to be issued and such other customary documents as are necessary to effect the conversion. In case such notice shall specify a name or names other than that of such holder, such notice shall be accompanied by payment of all transfer taxes payable upon the issuance in such name or names of shares of Common Stock or other property or securities, as the case may be, to which such holder has become entitled. Other than such taxes, the Corporation will pay any and all issue and other taxes (other than taxes based on income) that may be payable in respect of any issue or delivery of shares of Common Stock or such other property or securities, as the case may be, to which such holder has become entitled on conversion of Series B Convertible Preferred Stock pursuant hereto. As promptly as practicable, and in any event within five (5) business days after the surrender of such certificate or certificates and the receipt of such notice relating thereto and, if applicable, payment of all transfer taxes (or the demonstration to the satisfaction of the Corporation that such taxes have been paid), the Corporation shall deliver or cause to be delivered certificates representing the number of validly issued, fully paid and nonassessable full shares of Common Stock to which the holder of shares of Series B Convertible Preferred Stock so converted shall be entitled or such other property or assets, as the case may be, to which such holder has become entitled. The date upon which a holder delivers to the Corporation a notice of conversion and the accompanying documents referred to above is referred to herein as the "Conversion Date."

(f) From and after the Conversion Date, a holder of shares of Series B Convertible Preferred Stock shall have no voting or other rights with respect to the shares of Series B Convertible Stock subject thereto, other than the right to receive upon delivery of the certificate or certificates evidencing shares of Series B Convertible Preferred Stock as provided by paragraph 8(e), the securities or property described in this Section 8.

(g) In connection with the conversion of any shares of Series B Convertible Preferred Stock, no fraction of a share of Common Stock shall be issued, but in lieu thereof the Corporation shall pay a cash adjustment in respect of such fractional interest in an amount equal to such fractional interest multiplied by the Current Market Price per share of Common Stock on the day on which such shares of Series B Convertible Preferred Stock are deemed to have been converted.

(h) Upon conversion of any shares of Series B Convertible Preferred Stock, if there are any accrued but unpaid dividends thereon, the Corporation shall, at its option, either pay the same in cash or deliver to the holder an additional number of fully paid and nonassessable shares of Common Stock determined by dividing the amount of such accrued and unpaid dividends by the Conversion Price.

(i) The Corporation shall at all times reserve and keep available out of its authorized and unissued Common Stock, solely for the purpose of effecting the conversion of the Series B Convertible Preferred Stock, such number of shares of Common Stock as shall from time to time be sufficient to effect the conversion of all then outstanding shares of Series B Convertible Preferred Stock. The Corporation shall from time to time, in accordance with the laws of Delaware, increase the authorized amount of Common Stock if at any time the number of authorized shares of Common Stock remaining unissued shall not be sufficient to permit the conversion at such time of all then outstanding shares of Series B Convertible Preferred Stock.

Section 9. Reports as to Adjustments. Whenever the Conversion Price is adjusted as provided in Section 8 hereof, the Corporation shall (i) promptly place on file at its principal office and at the office of each transfer agent for the Series B Convertible Preferred Stock, if any, a statement, signed by an officer of the Corporation, setting forth in reasonable detail the event requiring the adjustment and the method by which such adjustment was calculated and specifying the new Conversion Price, and (ii) promptly mail to the holders of record of the outstanding shares of Series B Convertible Preferred Stock at their respective addresses as the same shall appear in the Corporation's stock records a notice stating that the number of shares of Common Stock into which the shares of Series B Convertible Preferred Stock are convertible has been adjusted and setting forth the new Conversion Price (or describing the new stock, securities, cash or other property) as a result of such adjustment, a brief statement of the facts requiring such adjustment and the computation thereof, and when such adjustment became effective.

Section 10. Definitions. For the purposes of the Certificate of Designations, Preferences and Rights of Series B Convertible Redeemable Preferred Stock which embodies this resolution:

"Current Market Price" per share of Common Stock on any date for all purposes of Section 8 shall be deemed to be the closing price per share of Common Stock on the date

specified. For all other purposes hereunder, "Current Market Price" on any date shall be deemed to be the average of the closing prices per share of Common Stock for the five (5) consecutive trading days ending two trading days prior to such date. The closing price for each day shall be the last sale price, regular way or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the Common Stock is not listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the Common Stock is listed or admitted to trading or, if the Common Stock is not listed or admitted to trading on any national securities exchange, the last quoted sale price or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by the National Association of Securities Dealers, Inc. Automated Quotations System ("NASDAQ") or such other system then in use, or, if on any such date the Common Stock is not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Common Stock selected by the Board of Directors. If the Common Stock is not publicly held or so listed or publicly traded, "Current Market Price" shall mean the Fair Market Value per share as determined in good faith by the Board of Directors of the Corporation.

"Fair Market Value" means the amount which a willing buyer would pay a willing seller in an arm's-length transaction as determined in good faith by the Board of Directors of the Corporation, unless otherwise provided herein.

"Person" means any individual, firm, corporation or other entity, and shall include any successor (by merger or otherwise) of such entity.

"Trading Day" means a day on which the principal national securities exchange on which the Common Stock is listed or admitted to trading is open for the transaction of business or, if the Common Stock is not listed or admitted to trading on any national securities exchange, any day other than a Saturday, Sunday, or a day on which banking institutions in the State of New York are authorized or obligated by law or executive order to close.

Section 11. Rank. The Series B Convertible Preferred Stock shall, with respect to payment of dividends, redemption payments and rights upon liquidation, dissolution or winding up of the Corporation, rank (i) prior to the Common Stock of the Corporation and any class or series of Preferred Stock which provides by its terms that it is to rank junior to the Series B Preferred Stock and (ii) on a parity with each other class or series of Preferred Stock of the Corporation.

Section 12. Alternate Consideration. For purposes of determining the consideration payable upon exercise of the optional redemption provided in Section 4(a)(ii) and upon the exercise of the Exchange Right provided in Section 5, if there shall have occurred a Transaction, as defined in Section 8(b)(iii), the Common Stock that would otherwise have been issued to a holder of Series B Convertible Preferred Stock for each share of Series B Convertible Preferred Stock pursuant to Section 4(a)(ii) or Section 5, as applicable, shall be deemed to instead be the kind and amount of shares of stock or other securities and property receivable (including cash)

upon consummation of such Transaction (the "Alternate Consideration") in respect of the Common Stock that would result in the Fair Market Value of such Alternate Consideration, measured as of the Redemption Date or Exchange Date, as applicable, being equal to (X) if prior to Stockholder Approval, the greater of (a) the Liquidation Value plus all dividends accrued and unpaid with respect to such share of Series B Convertible Preferred Stock, whether or not declared, measured as of the Redemption Date or the Exchange Date, as applicable, and (b) the Fair Market Value of the kind and amount of shares of stock and other securities and property receivable (including cash) pursuant to Section 8(b)(iii) which would have been issued if such share of Series B Convertible Preferred Stock had been converted pursuant to Section 8 immediately prior to the consummation of the Transaction; or (Y) if after Stockholder Approval, the Liquidation Value plus all dividends accrued and unpaid with respect to such share of Series B Convertible Preferred Stock, whether or not declared, measured as of the Redemption Date or Exchange Date, as applicable. In the event the subject Transaction provides for an election of the consideration to be received in respect of the Common Stock, then each holder of Series B Convertible Preferred Stock shall be entitled to make a similar election with respect to the Alternate Consideration to be received by it under Section 4(a)(ii) or Section 5, as applicable. Any determination of the Fair Market Value of any Alternate Consideration (other than cash) shall be determined by an independent investment banking firm of nationally recognized standing selected by the Board of Directors of the Corporation. The Fair Market Value of any Alternate Consideration that is listed on any national securities exchange or traded on the NASDAQ National Market shall be deemed to be the Current Market Price of such Alternate Consideration.

IN WITNESS WHEREOF, NORTHROP GRUMMAN CORPORATION has caused this Certificate of Designations, Preferences and Rights of Series B Convertible Preferred Stock to be duly executed by its _____ and attested to by its Secretary this ___ day of _____, 2001.

NORTHROP GRUMMAN CORPORATION

By: _____
Name:

ATTEST:

By: _____
Name:

[Letterhead of Gibson, Dunn & Crutcher LLP]

EXHIBIT 8.1

February 1, 2001

(213) 229-7000 C 66093-00114

Northrop Grumman Corporation
1840 Century Park East
Los Angeles, California 90067

Re: Acquisition of Litton Industries, Inc.

Ladies and Gentlemen:

We have acted as counsel to Northrop Grumman Corporation, a Delaware corporation ("Parent"), in connection with the preparation and execution of the Amended and Restated Agreement and Plan of Merger dated as of January 23, 2001 (together with all exhibits, annexes and attachments thereto, the "Merger Agreement"), by and among Litton Industries, Inc., a Delaware corporation (the "Company"), Parent, NNG, Inc., a Delaware corporation and a wholly owned subsidiary of Parent ("Holdco") and LII Acquisition I Corp., a Delaware corporation and a wholly owned subsidiary of Holdco ("Acquisition I"), which agreement amends, restates and supersedes that certain Agreement and Plan of Merger, dated as of December 21, 2000, among the Company, Parent and Acquisition I (the "Original Agreement"). Pursuant to the terms of the Original Agreement, Acquisition I commenced a tender offer (the "Original Offer") to purchase for cash (a) all of the outstanding shares of common stock, par value $1.00 per share, of the Company (the "Litton Common Shares") and (b) all of the outstanding shares of Series B $2 Cumulative Preferred Stock, par value $5.00 per share, of the Company (the "Litton Preferred Shares"), as described in the Offer to Purchase for Cash dated January 5, 2001.

Pursuant to the Merger Agreement, Parent will cause Acquisition to amend the Original Offer to become an exchange offer by Holdco (the Original Offer as so amended, the "Offer"), filed on a Registration Statement (Form S-4) with the Securities and Exchange Commission (the "Registration Statement"), in which each Litton Common Share accepted by Holdco in accordance with the terms of the Offer will be exchanged for the right to receive from Holdco, at the election of the holder of such Share: (X) an amount of cash or (Y) Holdco Common Stock or (Z) Holdco Preferred Stock, or a combination of such alternatives, subject to proration in the case of alternatives (Y) and (Z). The Offer will contain the same cash offer for the Litton

Preferred Shares as was set forth in the Original Offer. Capitalized terms used but not defined herein shall have the meaning ascribed to them in the Merger Agreement.

The parties to the Merger Agreement have agreed that Acquisition I will be merged with and into the Company with the Company as the surviving corporation, as described in Article 2 of the Merger Agreement (the "Litton Merger"), and Parent has agreed that immediately prior to the Expiration Date of the Offer pursuant to the Agreement and Plan of Merger attached as Exhibit A to the Merger Agreement (the "Northrop Merger Agreement") , NGC Acquisition Corp., a Delaware corporation and wholly owned subsidiary of Holdco ("Acquisition II"), will be merged with and into Parent with Parent as the surviving corporation (the "Northrop Merger" and together with the Litton Merger, the "Mergers"). In the Litton Merger, holders of Litton Common Shares outstanding immediately prior to the Effective Time (other than Litton Common Shares owned by Parent or any subsidiary or affiliate of Parent or held in the treasury of the Company or owned by any subsidiary of the Company, which will be canceled pursuant to the terms of the Merger Agreement) will receive cash in exchange for their Litton Common Shares. Each Litton Preferred Share that remains outstanding at the Effective Time will remain outstanding as a preferred share of the surviving corporation of the Litton Merger. Pursuant to the Northrop Merger Agreement, each share of common stock, par value $1.00 per share, of Parent ("Parent Common Stock") outstanding at the Effective Time will be converted into one share of Holdco Common Stock.

In rendering this opinion, we have reviewed the Merger Agreement (including the Northrop Merger Agreement), the Registration Statement and such other documents as we have deemed necessary or appropriate. We have relied upon the truth and accuracy at all relevant times of the facts, statements, covenants, representations and warranties contained in the Merger Agreement, the Registration Statement, the certificate, dated as of the date hereof (the "Certificate"), received from Parent and other information provided by Parent. We have assumed that any representations made in the Certificate or in the Merger Agreement "to the knowledge of" or similarly qualified will be true, correct and complete on the closing date of the Offer and the Effective Time of the Litton Merger without such qualifications. We have also assumed the authenticity of original documents submitted to us, the conformity to the originals of documents submitted to us as copies, and the due and valid execution and delivery of all such documents where due execution and delivery are a prerequisite to the effectiveness thereof.

Based upon the facts and statements set forth above, our examination and review of the documents referred to above and subject to the assumptions set forth herein, it is our opinion that for federal income tax purposes:

(i) the Northrop Merger will qualify as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code");

(ii) with respect to the Northrop Merger, each of Parent, Holdco and Acquisition II will be a "party to the reorganization" within the meaning of Section 368(b) of the Code;

(iii) stockholders of Parent will not recognize any gain or loss on the exchange of Parent Common Stock for Holdco Common Stock in the Northrop Merger;

(iv) the exchange of Litton Common Shares for Holdco Common Stock, Holdco Preferred Stock and cash pursuant to the Offer, together with the Northrop Merger and Litton Merger, will qualify as a transfer of property by the Litton shareholders to Holdco described in Section 351(a) or Section 351(b) of the Code;

(v) no gain or loss will be recognized by Parent, Holdco, the Company, Acquisition I or Acquisition II as a result of the Offer or the Mergers; and

(vi) holders of Litton Common Shares who exchange such shares solely for Holdco Common Stock or Holdco Preferred Stock will not recognize gain or loss;

It is also our opinion that the discussion under the heading "Material Federal Income Tax Consequences" in the Registration Statement accurately sets forth the material federal income tax consequences of the Offer and the Litton Merger to the Litton stockholders.

This opinion addresses only the matters described above, and does not address any other federal, state, local or foreign tax consequences that may result from the Offer or Mergers or any other transaction undertaken in connection therewith. You should be aware that legal opinions are not binding upon the Internal Revenue Service or the courts, and there can be no assurance that a contrary position would not be asserted by the Internal Revenue Service or sustained by the courts.

This opinion represents our best judgment regarding the application of federal income tax laws under the Code, existing judicial decisions, administrative regulations and published rulings and procedures. No assurance can be given that future legislative, judicial or administrative changes, on either a prospective or retroactive basis, would not adversely affect the accuracy of the conclusions stated herein. Furthermore, in the event any one of the statements, representations, or assumptions upon which we have relied to issue this opinion is incorrect, our opinion might be adversely affected.

We hereby consent to the filing of this opinion with the Securities and Exchange Commission as an exhibit to the Registration Statement. We also consent to the use of our name under the heading "Material Federal Income Tax Consequences" in the Offer forming part of the

Registration Statement. This opinion may not be used for any other purposes and may not otherwise be disclosed to or relied upon by any other person without our prior written consent. This opinion is expressed as of the date hereof and we disclaim any undertaking to advise you of any subsequent changes in applicable law after the date hereof.

Very truly yours,

/s/ Gibson, Dunn & Crutcher LLP

GIBSON, DUNN & CRUTCHER LLP

EXHIBIT 8.2

[Letterhead of Ivins, Phillips & Barker Chartered]

February 1, 2001

Northrop Grumman Corporation
1840 Century Park East
Los Angeles CA 90067

Attention: Gary W. McKenzie
Vice President, Tax

Gentlemen:

You have asked for our opinion regarding certain U.S. Federal income tax consequences of the events described below under the heading "The Transactions."

The opinions set forth above are based on the Internal Revenue Code of 1986, as amended (the "Code"), the Regulations, judicial decisions and administrative rulings and other pronouncements, all as in effect on the date of this letter.

Facts

The Parties and the Merger Agreement

This opinion relates to the transactions to be consummated pursuant to the Amended and Restated Agreement and Plan of Merger, dated as of January 23, 2001, by and among the following parties:

- Litton Industries, Inc. ("Company"), a Delaware corporation. As of December 31, 2000, the issued and outstanding stock of Company consisted of Series B $2 Cumulative Preferred Stock ("Company Preferred Stock") and common stock ("Company Common Stock"). Both the Company Common Stock and the Company Preferred Stock are widely held and publicly traded. Unitrin, Inc., a Delaware corporation owns (directly and through subsidiaries) approximately 27.8% of the Company Common Stock.

- Northrop Grumman Corporation, a Delaware corporation ("Parent"). The issued and outstanding stock of Parent consists of common stock ("Parent Common Stock"), which is widely held and publicly traded.

- NNG, Inc, a Delaware corporation and wholly-owned subsidiary of Parent ("Holdco").

- LII Acquisition Corp., a Delaware corporation and wholly-owned subsidiary of Holdco ("Acquisition I").

- NGC Acquisition Corp., a Delaware corporation and wholly-owned subsidiary of Holdco ("Acquisition II"). /1/

The Amended and Restated Agreement and Plan of Merger, together with the Annex, Exhibits and attachments thereto, is referred to in this opinion as the "Merger Agreement." Except as otherwise indicated, the defined terms used in the Merger Agreement are used in this opinion.

Materials Relied Upon
- ---------------------

In rendering this opinion, we have reviewed the Merger Agreement, the Stockholder's Agreement, the Registration Rights Agreement and the Form S-4 and other materials submitted to the shareholders of Company and Parent and filed with the U.S. Securities and Exchange Commission (collectively, the "Registration Statement"), all as provided by you. Although we have reviewed these materials, we have not verified independently the facts upon which our conclusions are based. Any changes in the facts could affect our conclusions.

Our conclusions are also based on Parent's representations provided to us. We assume that Parent's representations are also representations of Holdco.

The Transactions
- ----------------

Pursuant to the Merger Agreement, Holdco intends to acquire Company and Parent through the following transactions:

1. The Offer. Holdco will amend its cash tender offer for Company stock to an exchange offer (the "Offer"). In the offer as so amended,

   a. Holders of Company Preferred Stock accepting such offer will transfer their shares of Company Preferred Stock to Acquisition I for $35 cash per share.

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/1/ Acquisition II is not a party to the Merger Agreement, but, together with Parent and Holdco, is a party to the Northrop Merger Agreement, attached thereto as Exhibit A.

b. Holders of Company Common Stock accepting such offer will transfer their shares of Company Common Stock to Holdco in exchange for a right to receive, per share, at their election, $80 cash, Holdco Common Stock or Holdco Preferred Stock, or a combination thereof./2/ Elections to receive cash will not be subject to proration. Holdco Common Stock Elections and Holdco Preferred Stock Elections will be subject to proration as between Holdco Common Stock and Holdco Preferred Stock, if either is over-subscribed. Cash will be paid in lieu of fractional shares of Holdco Common Stock or Holdco Preferred Stock.

2. The Litton Merger. Subsequent to the Offer, Acquisition I will merge with and into Company (the "Litton Merger"). In the Litton Merger:

a. Acquisition I will be merged with and into Company with Company as the survivor.

b. Each outstanding share of Company Common Stock will be converted into a right to receive $80 cash per share.

c. Each share of Acquisition I stock outstanding (all of which will be held by Holdco) will be converted into one share of Company Common Stock.

At the conclusion of the Litton Merger, Holdco will own all the issued and outstanding Company Common Stock and any of the Company Preferred Stock that is submitted to Acquisition I in the Offer.

3. The Northrop Merger. Immediately prior to the Expiration Date of the Offer, Acquisition II will merge with and into Parent (the "Northrop Merger"). In the Northrop Merger:

a. Acquisition II will be merged with and into Parent with Parent as the survivor.

b. Each share of Parent stock outstanding will be converted into one share of Holdco Common Stock.

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

/2/ Each share of Company Common Stock that is exchanged for Holdco Common Stock will be exchanged for a number of shares of the Holdco Common Stock equal to the quotient of $80.25 divided by the average of the closing prices for Parent Common Stock as reported on the New York Stock Exchange Composite Transaction Reporting System for the five consecutive trading days ending on the second trading day before the final expiration date of the Offer.

Each share of Company Common Stock that is exchanged for Holdco Preferred Stock will be exchanged for 0.8025 of a share of the Holdco Preferred Stock.

c. Each share of Acquisition II stock outstanding (all of which will be held by Holdco) will be converted into one share of common stock of Parent).

At the conclusion of the Northrop Merger, Holdco will own all the issued and outstanding common stock of Parent.

Conclusions

Based on the facts and representations set forth above, it is our opinion that:

1. The Northrop Merger will qualify as a "reorganization" within the meaning of section 368(a) of the Code.

2. With respect to the Northrop Merger, Parent, Holdco and Acquisition II will each be a "party to the reorganization" within the meaning of section 368(b) of the Code.

3. Under section 354(a) of the Code, no gain or loss will be recognized to the Parent shareholders upon the receipt of Holdco Common Stock in the Northrop Merger.

4. Under section 1032(a) of the Code, no gain or loss will be recognized to Holdco in the Northrop Merger.

5. Under section 361(a) of the Code, no gain or loss will be recognized to Acquisition II in the Northrop Merger.

6. No gain or loss will be recognized by Parent in the Northrop Merger.

7. For Federal income tax purposes, (a) the formation of Acquisition I and the merger of Acquisition I into Company will be disregarded, and (b) such transactions will be treated as transfers by the Company shareholders of their Company Common Stock to Holdco in exchange for cash, Holdco Common Stock, Holdco Preferred Stock, or some combination thereof, as the case may be.

8. The Offer and the Northrop Merger will qualify as an exchange of property by the Company shareholders and the Parent shareholders to Holdco, a controlled corporation, within the meaning of section 351 of the Code.

9. No gain or loss will be recognized to holders of Company Common stock who exchange such stock solely for Holdco Common Stock or Holdco Preferred Stock.

10. No gain or loss will be recognized to Parent, Holdco, Company, Acquisition I or Acquisition II in the Offer and the Northrop Merger.

It is also our opinion that the discussion under the heading "Material Federal Income Tax Consequences" in the Registration Statement accurately sets forth the material federal income tax consequences of Offer and the Litton Merger to the Litton stockholders.

Miscellaneous

This letter addresses only certain Federal income tax consequences of the transactions described herein. It does not address any tax consequences arising under the laws of any state, local or foreign jurisdiction.

No ruling was requested or received from the Internal Revenue Service regarding the transactions described herein. This letter does not bind the Internal Revenue Service. Consequently, to sustain some or all of the conclusions set forth herein, it may be necessary to engage in administrative proceedings and litigation, and ultimately some or all of such conclusions may not be sustained.

This opinion is expressed as of the date hereof. Changes in Code provisions, regulations or other authorities could change some or all of the conclusions stated above, and such changes could be applied retroactively. We disclaim any undertaking to advise you of any subsequent changes in applicable law after the date hereof.

We hereby consent to the filing of this opinion with the Securities and Exchange Commission as an exhibit to the Registration Statement. We also consent to the use of our name under the heading "Material Federal Income Tax Consequences" in the Offer forming part of the Registration Statement. This opinion may not be used for any other purposes and may not otherwise be disclosed to or relied upon by any other person without our prior written consent.

Sincerely yours,

/s/ IVINS, PHILLIPS & BARKER
Ivins, Phillips & Barker

EXHIBIT 10.3

FORM OF
CHANGE OF CONTROL EMPLOYMENT AGREEMENT

AGREEMENT by and between Litton Industries, Inc., a Delaware corporation (the "Company") and _____ (the "Executive"), dated as of the _____ day of _____, _____.

The Board of Directors of the Company (the "Board") has determined that it is in the best interests of the Company and its shareholders to assure that the Company will have the continued dedication of the Executive, notwithstanding the possibility, threat or occurrence of a Change of Control (as defined below) of the Company. The Board believes it is imperative to diminish the inevitable distraction of the Executive by virtue of the personal uncertainties and risks created by a pending or threatened Change of Control and to encourage the Executive's full attention and dedication to the Company currently and in the event of any threatened or pending Change of Control, and to provide the Executive with compensation and benefits arrangements upon a Change of Control which ensure that the compensation and benefits expectations of the Executive will be satisfied and which are competitive with those of other corporations. Therefore, in order to accomplish these objectives, the Board has caused the Company to enter into this Agreement.

NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

1. Certain Definitions.

(a) The "Effective Date" shall mean the first date during the Change of Control Period (as defined in Section 1(b)) on which a Change of Control (as defined in Section 2) occurs. Anything in this Agreement to the contrary notwithstanding, if a Change of Control occurs and if the Executive's employment with the Company is terminated prior to the date on which the Change of Control occurs, and if it is reasonably demonstrated by the Executive that such termination of employment (i) was at the request of a third party who has taken steps reasonably calculated to effect a Change of Control or (ii) otherwise arose in connection with or anticipation of a Change of Control, then for all purposes of this Agreement the "Effective Date" shall mean the date immediately prior to the date of such termination of employment.

(b) The "Change of Control Period" shall mean the period commencing on the date hereof and ending on the third anniversary of the date hereof; provided, however, that commencing on the date one year after the date hereof, and on each annual anniversary of such date (such date and each annual anniversary thereof shall be hereinafter referred to as the "Renewal Date"), unless previously terminated, the Change of Control Period shall be automatically extended so as to terminate three years from such Renewal Date, unless at least 60 days prior to the Renewal Date the Company shall give notice to the Executive that the Change of Control Period shall not be so extended.

2. Change of Control. For the purpose of this Agreement, a "Change of Control" shall mean:

(a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 30% or more of either (i) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this subsection (a), the following acquisitions of stock shall not constitute a Change of Control: (i) any acquisition directly from the Company, (ii) any acquisition by the Company, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company or (iv) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subsection (c) of this Section 2; or

(b) Individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(c) Consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company (a "Business Combination"), in each case, unless, following such Business Combination, (i) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (ii) no Person (excluding any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 30% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination, and (iii) at least a majority of the members of the board of directors of the corporation resulting

from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(d) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

3. Employment Period. The Company hereby agrees to continue the Executive in its employ, and the Executive hereby agrees to remain in the employ of the Company subject to the terms and conditions of this Agreement, for the period commencing on the Effective Date and ending on the third anniversary of such date (the "Employment Period").

4. Terms of Employment.

(a) Position and Duties.

(i) During the Employment Period, (A) the Executive's position (including status, offices, titles and reporting requirements), authority, duties and responsibilities shall be at least commensurate in all material respects with the most significant of those held, exercised and assigned at any time during the 120-day period immediately preceding the Effective Date and (B) the Executive's services shall be performed at the location where the Executive was employed immediately preceding the Effective Date or any office or location less than 35 miles from such location.

(ii) During the Employment Period, and excluding any periods of vacation and sick leave to which the Executive is entitled, the Executive agrees to devote reasonable attention and time during normal business hours to the business and affairs of the Company and, to the extent necessary to discharge the responsibilities assigned to the Executive hereunder, to use the Executive's reasonable best efforts to perform faithfully and efficiently such responsibilities. During the Employment Period it shall not be a violation of this Agreement for the Executive to (A) serve on corporate, civic or charitable boards or committees, (B) deliver lectures, fulfill speaking engagements or teach at educational institutions and (C) manage personal investments, so long as such activities do not significantly interfere with the performance of the Executive's responsibilities as an employee of the Company in accordance with this Agreement. It is expressly understood and agreed that to the extent that any such activities have been conducted by the Executive prior to the Effective Date, the continued conduct of such activities (or the conduct of activities similar in nature and scope thereto) subsequent to the Effective Date shall not thereafter be deemed to interfere with the performance of the Executive's responsibilities to the Company.

(b) Compensation.

(i) Base Salary. During the Employment Period, the Executive shall receive an annual base salary ("Annual Base Salary"), which shall be paid at a monthly rate, at least equal to twelve times the highest monthly base salary paid or payable, including any base salary which has been earned but deferred, to the Executive by the Company and its affiliated companies in respect of the twelve-month period immediately preceding the month in which the Effective Date occurs. During the Employment Period, the Annual Base Salary shall be

reviewed no more than 12 months after the last salary increase awarded to the Executive prior to the Effective Date and thereafter at least annually. Any increase in Annual Base Salary shall not serve to limit or reduce any other obligation to the Executive under this Agreement. Annual Base Salary shall not be reduced after any such increase and the term Annual Base Salary as utilized in this Agreement shall refer to Annual Base Salary as so increased. As used in this Agreement, the term "affiliated companies" shall include any company controlled by, controlling or under common control with the Company.

(ii) Annual Bonus. In addition to Annual Base Salary, the Executive shall be awarded, for each fiscal year ending during the Employment Period, an annual bonus in cash at least equal to the Executive's highest award under the Company's Performance Award Plan(s), or any comparable bonus under any predecessor or successor plan, for the last three full fiscal years prior to the Effective Date (any such award shall be annualized for any fiscal year in the event that the Executive was not employed by the Company for the whole of such fiscal year) (the "Annual Bonus"). Each such Annual Bonus plus unpaid but due amounts from prior awards shall be paid in accordance with the terms of the Performance Award Plan or successor plan, but in no event later than such amount would have been paid under the Performance Award Plan. Any portion of an award made under the Performance Award Plan, or any comparable or successor plan, shall be paid on the last day of the Employment Period to the extent not previously paid but only if the Executive is employed on such date.

(iii) Incentive, Savings and Retirement Plans. During the Employment Period, the Executive shall be entitled to participate in all incentive (including stock option or similar incentive plans), savings and retirement plans, practices, policies and programs applicable generally to other peer executives of the Company and its affiliated companies, but in no event shall such plans, practices, policies and programs provide the Executive with incentive opportunities (measured with respect to both regular and special incentive opportunities, to the extent, if any, that such distinction is applicable), savings opportunities and retirement benefit opportunities, in each case, less favorable, in the aggregate, than the most favorable of those provided by the Company and its affiliated companies for the Executive under such plans, practices, policies and programs as in effect at any time during the 120-day period immediately preceding the Effective Date or if more favorable to the Executive, those provided generally at any time after the Effective Date to other peer executives of the Company and its affiliated companies.

(iv) Welfare Benefit Plans. During the Employment Period, the Executive and/or the Executive's family, as the case may be, shall be eligible for participation in and shall receive all benefits under welfare benefit plans, practices, policies and programs provided by the Company and its affiliated companies (including, without limitation, medical, prescription, dental, disability, salary continuance, employee life, group life, accidental death and travel accident insurance plans and programs) to the extent applicable generally to other peer executives of the Company and its affiliated companies, but in no event shall such plans, practices, policies and programs provide the Executive with benefits which are less favorable, in the aggregate, than the most favorable of such plans, practices, policies and programs in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, those provided generally at any time after the Effective Date to other peer executives of the Company and its affiliated companies.

(v) Expenses. During the Employment Period, the Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by the Executive in accordance with the most favorable policies, practices and procedures of the company and its affiliated companies in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

(vi) Fringe Benefits. During the Employment Period, the Executive shall he entitled to fringe benefits, including, without limitation, if applicable, tax and financial planning services, use of an automobile and payment of related expenses, in accordance with the most favorable plans, practices, programs and policies of the company and its affiliated companies in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

(vii) Office and Support Staff. During the Employment Period, the Executive shall be entitled to an office or offices of a size and with furnishings and other appointments, and to exclusive personal secretarial and other assistance, at least equal to the most favorable of the foregoing provided to the Executive by the company and its affiliated companies at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as provided generally at any time thereafter with respect to other peer executives of the company and its affiliated companies.

(viii) Vacation. During the Employment Period, the Executive shall be entitled to paid vacation in accordance with the most favorable plans, policies, programs and practices of the Company and its affiliated companies as in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

5. Termination of Employment.

(a) Death or Disability. The Executive's employment shall terminate automatically upon the Executive's death during the Employment Period. If the Company determines in good faith that the Disability of the Executive has occurred during the Employment Period (pursuant to the definition of Disability set forth below), it may give to the Executive written notice in accordance with Section 12(b) of this Agreement of its intention to terminate the Executive's employment. In such event, the Executive's employment with the Company shall terminate effective on the 30th day after receipt of such notice by the Executive (the "Disability Effective Date"); provided that, within the 30 days after such receipt, the Executive shall not have returned to full-time performance of the Executive's duties. For purposes of this Agreement, "Disability" shall mean the absence of the Executive from the Executive's duties with the Company on a full-time basis for 180 consecutive business days as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive's legal representative.

(b) Cause. The Company may terminate the Executive's employment during the Employment Period for Cause. For purposes of this Agreement, "Cause" shall mean:

(i) the willful and continued failure of the Executive to perform substantially the Executive's duties with the Company or one of its affiliates (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to the Executive by the Board or the Chief Executive Officer of the Company which specifically identifies the manner in which the Board or Chief Executive Officer believes that the Executive has not substantially performed the Executive's duties, or

(ii) the willful engaging by the Executive in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Company.

For purposes of this provision, no act or failure to act, on the part of the Executive, shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or upon the instructions of the Chief Executive Officer or a senior officer of the Company or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company. The cessation of employment of the Executive shall not be deemed to be for Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, the Executive is guilty of the conduct described in subparagraph (i) or (ii) above, and specifying the particulars thereof in detail.

(c) Good Reason. The Executive's employment may be terminated by the Executive for Good Reason. For purposes of this Agreement, "Good Reason" shall mean:

(i) the assignment to the Executive of any duties inconsistent in any respect with the Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by Section 4(a) of this Agreement, or any other action by the Company which results in a diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(ii) any failure by the Company to comply with any of the provisions of Section 4(b) of this Agreement, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(iii) the Company's requiring the Executive to be based at any office or location other than as provided in Section 4(a)(i)(B) hereof or the Company's requiring the Executive to travel on Company business to a substantially greater extent than required immediately prior to the Effective Date;

(iv) any purported termination by the Company of the Executive's employment otherwise than as expressly permitted by this Agreement; or

(v) any failure by the Company to comply with and satisfy Section 11(c) of this Agreement.

For purposes of this Section 5(c), any good faith determination of "Good Reason" made by the Executive shall be conclusive. Anything in this Agreement to the contrary notwithstanding, a termination by the Executive for any reason during the 30-day period immediately following the first anniversary of the Effective Date shall be deemed to be a termination for Good Reason for all purposes of this Agreement.

(d) Notice of Termination. Any termination by the Company for Cause, or by the Executive for Good Reason, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 12(b) of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated and (iii) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than thirty days after the giving of such notice). The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Executive or the Company, respectively, hereunder or preclude the Executive or the Company, respectively, from asserting such fact or circumstance in enforcing the Executive's or the Company's rights hereunder.

(e) Date of Termination. "Date of Termination" means (i) if the Executive's employment is terminated by the Company for Cause, or by the Executive for Good Reason, the date of receipt of the Notice of Termination or any later date specified therein, as the case may be, (ii) if the Executive's employment is terminated by the Company other than for Cause or Disability, the Date of Termination shall be the date on which the Company notifies the Executive of such termination and (iii) if the Executive's employment is terminated by reason of death or Disability, the Date of Termination shall be the date of death of the Executive or the Disability Effective Date, as the case may be.

6. Obligations of the Company Upon Termination.

(a) Good Reason; Other Than for Cause, Death or Disability. If, during the Employment Period, the Company shall terminate the Executive's employment other than for Cause or Disability or the Executive shall terminate employment for Good Reason:

(i) the Company shall pay to the Executive in a lump sum in cash within 30 days after the Date of Termination the aggregate of the following amounts:

A. the sum of (1) the Executive's Annual Base Salary through the Date of Termination to the extent not theretofore paid, (2) the product of (x) the Annual Bonus, and (y) a fraction, the numerator of which is the number of days in the current fiscal year through the Date of Termination, and the denominator of which is 365 and (3) any compensation previously deferred by the Executive (together with any accrued interest or earnings thereon), any awards under the Performance Award Plan or any comparable or successor plan and any accrued vacation pay, in each case to the extent not theretofore paid (the sum of the amounts described in clauses (1), (2), and (3) shall be hereinafter referred to as the "Accrued Obligations"); and

B. the amount equal to the product of (1) three and (2) the sum of (x) the Executive's Annual Base Salary and (y) the Annual Bonus, or if higher, any bonus paid with respect to any fiscal year during the Employment Period; and

C. utilizing actuarial assumptions no less favorable to the Executive than those in effect immediately prior to the Effective Date, an amount equal to the difference between (a) the actuarial equivalent of the benefit under the Company's qualified defined benefit retirement plan (the "Retirement Plan") and any excess or supplemental retirement plan in which the Executive participates (together, the "SERP") which the Executive would receive if the Executive's employment continued for three years after the Date of Termination assuming for this purpose that all accrued benefits are fully vested, and, assuming that the Executive's compensation in each of the three years is that required by Section 4(b)(i) and Section 4(b)(ii), over (b) the actuarial equivalent of the Executive's actual benefit (paid or payable), if any, under the Retirement Plan and the SERP as of the Date of Termination;

(ii) for three years after the Executive's Date of Termination, or such longer period as may be provided by the terms of the appropriate plan, practice, policy or program, the Company shall continue benefits to the Executive and/or the Executive's family at least equal to those which would have been provided to them in accordance with the plans, programs, practices and policies described in Section 4(b)(iv) of this Agreement if the Executive's employment had not been terminated or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies and their families; provided, however, that if the Executive becomes reemployed
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with another employer and is eligible to receive medical or other welfare benefits under another employer provided plan, the medical and other welfare benefits described herein shall be secondary to those provided under such other plan during such applicable period of eligibility. For purposes of determining eligibility (but not the time of commencement of benefits) of the Executive for retiree benefits pursuant to such plans, practices, programs and policies, the Executive shall be considered to have remained employed until three years after the Date of Termination and to have retired on the last day of such period;

(iii) the Company shall, at its sole expense as incurred, provide the Executive with outplacement services the scope and provider of which shall be selected by the Executive in his or her sole discretion; and

(iv) to the extent not theretofore paid or provided, the Company shall timely pay or provide to the Executive any other amounts or benefits required to be paid or provided or which the Executive is eligible to receive under any plan, program, policy or practice or contract or agreement of the Company and its affiliated companies (such other amounts and benefits shall be hereinafter referred to as the "Other Benefits").

(b) Death. If the Executive's employment is terminated by reason of the Executive's death during the Employment Period, this Agreement shall terminate without further obligations to the Executive's legal representatives under this Agreement, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. Accrued Obligations shall be paid to the Executive's estate or beneficiary, as applicable, in a lump sum in cash within 30 days of the Date of Termination. With respect to the provision of Other Benefits, the term Other Benefits as utilized in this Section 6(b) shall include, without limitation, and the Executive's estate and/or beneficiaries shall be entitled to receive, benefits at least equal to the most favorable benefits provided by the Company and affiliated companies to the estates and beneficiaries of peer executives of the Company and such affiliated companies under such plans, programs, practices and policies relating to death benefits, if any, as in effect with respect to other peer executives and their beneficiaries at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive's estate and/or the Executive's beneficiaries, as in effect on the date of the Executive's death with respect to other peer executives of the Company and its affiliated companies and their beneficiaries.

(c) Disability. If the Executive's employment is terminated by reason of the Executive's Disability during the Employment Period, this Agreement shall terminate without further obligations to the Executive, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. Accrued Obligations shall be paid to the Executive in a lump sum in cash within 30 days of the Date of Termination. With respect to the provision of Other Benefits, the term Other Benefits as utilized in this Section 6(c) shall include, and the Executive shall be entitled after the Disability Effective Date to receive, disability and other benefits at least equal to the most favorable of those generally provided by the Company and its affiliated companies to disabled executives and/or their families in accordance with such plans, programs, practices and policies relating to disability, if any, as in effect generally with respect to other peer executives and their families at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive and/or the Executive's family, as in effect at any time thereafter generally with respect to other peer executives of the Company and its affiliated companies and their families.

(d) Cause; Other than for Good Reason. If the Executive's employment shall be terminated for Cause during the Employment Period or if the Executive voluntarily terminates employment during the Employment Period, excluding a termination for Good Reason, this Agreement shall terminate without further obligations to the Executive other than the obligation to pay to the Executive (x) his or her Annual Base Salary through the Date of Termination, (y) the amount of any compensation previously deferred by the Executive, and (z) Other

Benefits, in each case to the extent theretofore unpaid. In such case, all Accrued Obligations shall be paid to the Executive in a lump sum in cash within 30 days of the Date of Termination.

7. Non-Exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, practice, policy or program provided by the Company or any of its affiliated companies and for which the Executive may qualify, nor, subject to Section 12(f), shall anything herein limit or otherwise affect such rights as the Executive may have under any contract or agreement with the Company or any of its affiliated companies. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan, policy, practice or program of or any contract or agreement with the Company or any of its affiliated companies at or subsequent to the Date of Termination shall be payable in accordance with such plan, practice, policy or program or contract or agreement except as explicitly modified by this Agreement.

8. Full Settlement. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and such amounts shall not be reduced whether or not the Executive obtains other employment. The Company agrees to pay as incurred, to the full extent permitted by law, all legal fees and expenses which the Executive may reasonably incur as a result of any contest (regardless of the outcome thereof) by the Company, the Executive or others of the validity or enforceability of, or liability under, any provision of this Agreement or any guarantee of performance thereof (including as a result of any contest by the Executive about the amount of any payment pursuant to this Agreement), plus in each case interest on any delayed payment at the applicable Federal rate provided for in Section 7872(f)(2)(A) of the Internal Revenue Code of 1986, as amended (the "Code").

9. Certain Additional Payments by the Company.

(a) Anything in this Agreement to the contrary notwithstanding and except as set forth below, in the event it shall be determined that any payment or distribution by the Company to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 9) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

(b) Subject to the provisions of Section 9(c), all determinations required to be made under this Section 9, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by Deloitte & Touche or such other certified public accounting firm as may be designated by the Executive (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Executive within 15 business days of the receipt of notice from the Executive that there has been a Payment, or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change of Control, the Executive shall appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder) All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 9, shall be paid by the Company to the Executive within five days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 9(c) and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive.

(c) The Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after the Executive is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(i) give the Company any information reasonably requested by the Company relating to such claim,

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company,

(iii) cooperate with the Company in good faith in order effectively to contest such claim, and

(iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 9(c), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 9(c), the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of Section 9(c)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 9(c), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

10. Confidential Information. The Executive shall hold in a fiduciary capacity for the benefit of the Company all secret or confidential information, knowledge or data relating to the Company or any of its affiliated companies, and their respective businesses, which shall have been obtained by the Executive during the Executive's employment by the Company or any of its affiliated companies and which shall not be or become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). After termination of the Executive's employment with the Company, the Executive shall not, without the prior written consent of the Company or as may otherwise be required by law or legal

process, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it. In no event shall an asserted violation of the provisions of this Section 10 constitute a basis for deferring or withholding any amounts otherwise payable to the Executive under this Agreement.

11. Successors.

(a) This Agreement is personal to the Executive and without the prior written consent of the Company shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

(c) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid.

12. Miscellaneous.

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(b) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive:

_____

_____

_____

Attention: _____

If to the Company:

Litton Industries, Inc.
360 North Crescent Drive
Beverly Hills, California 90210
Attention: General Counsel

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) The Company may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(e) The Executive's or the Company's failure to insist upon strict compliance with any provision of this Agreement or the failure to assert any right the Executive or the Company may have hereunder, including, without limitation, the right of the Executive to terminate employment for Good Reason pursuant to Section 5(c)(i)-(v) of this Agreement, shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

(f) The Executive and the Company acknowledge that, except as may otherwise be provided under any other written agreement between the Executive and the Company, the employment of the Executive by the Company is "at will" and, subject to Section 1(a) hereof, prior to the Effective Date, the Executive's employment and/or this Agreement may be terminated by either the Executive or the Company at any time prior to the Effective Date, in which case the Executive shall have no further rights under this Agreement. From and after the Effective Date this Agreement shall supersede any other agreement between the parties with respect to the subject matter hereof.

IN WITNESS WHEREOF, the Executive has hereunto set the Executive's hand and, pursuant to the authorization from its Board of Directors, the Company has caused these presents to be executed in its name on its behalf, all as of the day and year first above written.

_____

[EXECUTIVE]

LITTON INDUSTRIES, INC.

By:_____

Name:_____

Title:_____

EXHIBIT 12.1

Ratio of Combined Earnings to Fixed Charges and Preferred Dividends
($ in millions)

	Pro Forma									
	Minimum Equity Issuance		Maximum Equity Issuance							
	Nine months ended September 30, 2000	Year ended December 31, 1999	Nine months ended September 30, 2000	Year ended December 31, 1999	Nine months ended September 30, 2000	Fiscal Year Ended December 31, 1999	1998	1997	1996	1995
Income from Continuing operations before income taxes and accounting change.....	$ 819	$ 656	$ 846	$ 687	$756	$ 747	$309	$512	$478	$399
Plus Fixed Charges.....										
Interest on all Indebtedness.....	379	523	352	492	135	224	232	257	270	137
Amortization of debt expense.....	17	24	17	24	9	13	14	15	24	2
Portion of rental expenses on operating leases deemed to be representative of the interest factor.....	39	54	39	54	24	32	32	33	25	19
Preferred stock dividend requirements of consolidated subsidiaries.....	31	42	37	49	--	--	--	--	--	--
Total Fixed Charges.....	466	643	445	619	168	269	278	305	319	158
Less preferred stock dividend.....	(31)	(42)	(37)	(49)	--	--	--	--	--	--
Earnings.....	1,254	1,257	1,254	1,257	924	1,016	587	817	797	557
Fixed Charges Ratio:...	2.69	1.95	2.82	2.03	5.50	3.78	2.11	2.68	2.50	3.53

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

EXHIBIT 15.1

Letter from Independent Accountants Regarding Unaudited Interim Financial Information

NNG, Inc.
Los Angeles, California

We have made a review, in accordance with standards established by the American Institute of Certified Public Accountants, of the unaudited interim financial information of Northrop Grumman Corporation and subsidiaries for the periods ended March 31, 2000 and 1999, as indicated in our report dated April 24, 2000, except for the discontinued operations footnote, as to which the date is July 24, 2000, for the periods ended June 30, 2000 and 1999, as indicated in our report dated July 24, 2000 and for the periods ended September 30, 2000 and 1999, as indicated in our report dated October 18, 2000; because we did not perform an audit, we expressed no opinion on that information.

We are aware that our reports referred to above, which were included in Northrop Grumman Corporation's Current Report on Form 8-K, dated August 8, 2000 and Northrop Grumman Corporation's Quarterly Reports on Form 10-Q for the quarters ended June 30, 2000 and September 30, 2000 are being incorporated by reference in this Registration Statement.

We also are aware that the aforementioned reports, pursuant to Rule 436(c) under the Securities Act of 1933, are not considered a part of the Registration Statement prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of Sections 7 and 11 of the Act.

Los Angeles, California
February 1, 2001

EXHIBIT 23.1

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in this Registration Statement of NNG, Inc. on Form S-4 of our report dated January 26, 2000, except for the discontinued operations footnote, as to which the date is July 24, 2000 appearing in the Current Report on Form 8-K of Northrop Grumman Corporation dated August 8, 2000, and to the reference to us under the heading "Experts" in the offer to purchase or exchange, which is part of this Registration Statement.

Deloitte & Touche LLP

Los Angeles, California
February 1, 2001

EXHIBIT 23.2

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in this Registration Statement of NNG, Inc. on Form S-4 of our report dated October 10, 2000, appearing in the Annual Report on Form 10-K of Litton Industries, Inc. for the year ended July 31, 2000 and to the reference to us under the heading "Experts" in the offer to purchase or exchange, which is part of this Registration Statement.

DELOITTE & TOUCHE LLP

Los Angeles, California
January 31, 2001

EXHIBIT 24.1

POWER OF ATTORNEY

FILING OF REGISTRATION STATEMENT ON FORM S-4

KNOW ALL MEN BY THESE PRESENTS, that the undersigned NORTHROP GRUMMAN CORPORATION, a Delaware corporation and NNG, Inc. a Delaware corporation (both herein collectively and singly, the "Corporation" each hereby nominates and appoints RICHARD B. WAUGH, JR., W. BURKS TERRY and JOHN H. MULLAN, and each of them acting or signing singly, its agents and attorneys-in-fact (the "Agents"), in its name to execute and/or file (1) a registration statement on Form S-4 under the Securities Act of 1933, as amended, (the "Act"), in connection with the registration, offer and sale or exchange under the Act of shares of Common Stock of this Corporation in connection with the Corporation's tender or exchange offer (including any associated merger transaction) for the Common Stock, $1.00 par value per share and Series B $2.00 Cumulative Preferred Stock, $5.00 par value per share of Litton Industries, Inc.; and (2) any one or more amendments to any part of the foregoing registration statement, including any post-effective amendments or appendices or supplements that may be required to be filed under the Act to keep such registration statement effective or to terminate its effectiveness.

Further, the undersigned Corporation does hereby authorize and direct the said agents and attorneys-in-fact to take any and all actions and execute and file any and all documents with the Securities and Exchange Commission (the "SEC"), or state regulatory agencies, necessary, proper or convenient in their opinion to comply with the Act and the rules and regulations or orders of the SEC, or state regulatory agencies, adopted or issued pursuant thereto, including the making of any requests for acceleration of the effective date of said registration statement, to the end that the registration statement of the Corporation shall become effective under the Act and any other applicable law.

Finally, the undersigned Corporation does hereby ratify, confirm and approve each and every act and document which the said appointed agents and attorneys-in-fact may take, execute or file pursuant thereto with the same force and effect as though such action had been taken or such documents had been executed or filed by the undersigned Corporation respectively.

This Power of Attorney shall remain in full force and effect until revoked or superseded by written notice filed with the SEC.

IN WITNESS WHEREOF, Northrop Grumman Corporation has executed this Power of Attorney on the 31st day of January 2001.

NORTHROP GRUMMAN CORPORATION

By: /s/ KENT KRESA

Kent Kresa, Chairman, President and
Chief Executive Officer

ATTEST

NNG, INC.

By:

[Corporate Seal]

EXHIBIT 24.2

POWER OF ATTORNEY

FILING OF REGISTRATION STATEMENT ON FORM S-4

KNOW ALL MEN BY THESE PRESENTS, that the undersigned director and/or officer of Northrop Grumman Corporation a Delaware corporation and NNG, Inc. a Delaware corporation (both herein singly and collectively and singly, the "Corporation") hereby nominates and appoints RICHARD B. WAUGH, JR., W. BURKS TERRY and JOHN H. MULLAN, and each of them acting or signing singly, his or her agents and attorneys-in-fact (the "Agents"), in his or her name to execute and/or file (1) a registration statement on Form S-4 under the Securities Act of 1933, as amended, (the "Act"), in connection with the registration, offer and sale or exchange under the Act of shares of Common Stock of the Corporation in connection with the Corporation's tender or exchange offer (including any associated merger transaction) for the Common Stock, $1.00 par value per share and Series B $2.00 Cumulative Preferred Stock, $5.00 par value per share of Litton Industries, Inc.; and (2) any one or more amendments to any part of the foregoing registration statement, including any post-effective amendments or appendices or supplements that may be required to be filed under the Act to keep such registration statement effective or to terminate its effectiveness.

Further, the undersigned does hereby authorize and direct the said agents and attorneys-in-fact to take any and all actions and execute and file any and all documents with the Securities and Exchange Commission (the "SEC"), or state regulatory agencies, necessary, proper or convenient in their opinion to comply with the Act and the rules and regulations or orders of the SEC, or state regulatory agencies, adopted or issued pursuant thereto, including the making of any requests for acceleration of the effective date of said registration statement, to the end that the registration statement of the Corporation shall become effective under the Act and any other applicable law.

Finally, the undersigned does hereby ratify, confirm and approve each and every act and document which the said appointed agents and attorneys-in-fact may take, execute or file pursuant thereto with the same force and effect as though such action had been taken or such documents had been executed or filed by the undersigned respectively.

This Power of Attorney shall remain in full force and effect until revoked or superseded by written notice filed with the SEC.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney on the 31st day of January 2001.

Kent Kresa

/s/ KENT KRESA

Chairman, President
Chief Executive Officer and Director

EXHIBIT 24.3

POWER OF ATTORNEY

FILING OF REGISTRATION STATEMENT ON FORM S-4

KNOW ALL MEN BY THESE PRESENTS, that the undersigned director and/or officer of Northrop Grumman Corporation a Delaware corporation and NNG, Inc. a Delaware corporation (both herein singly and collectively and singly, the "Corporation") hereby nominates and appoints RICHARD B. WAUGH, JR., W. BURKS TERRY and JOHN H. MULLAN, and each of them acting or signing singly, his or her agents and attorneys-in-fact (the "Agents"), in his or her name to execute and/or file (1) a registration statement on Form S-4 under the Securities Act of 1933, as amended, (the "Act"), in connection with the registration, offer and sale or exchange under the Act of shares of Common Stock of the Corporation in connection with the Corporation's tender or exchange offer (including any associated merger transaction) for the Common Stock, $1.00 par value per share and Series B $2.00 Cumulative Preferred Stock, $5.00 par value per share of Litton Industries, Inc.; and (2) any one or more amendments to any part of the foregoing registration statement, including any post-effective amendments or appendices or supplements that may be required to be filed under the Act to keep such registration statement effective or to terminate its effectiveness.

Further, the undersigned does hereby authorize and direct the said agents and attorneys-in-fact to take any and all actions and execute and file any and all documents with the Securities and Exchange Commission (the "SEC"), or state regulatory agencies, necessary, proper or convenient in their opinion to comply with the Act and the rules and regulations or orders of the SEC, or state regulatory agencies, adopted or issued pursuant thereto, including the making of any requests for acceleration of the effective date of said registration statement, to the end that the registration statement of the Corporation shall become effective under the Act and any other applicable law.

Finally, the undersigned does hereby ratify, confirm and approve each and every act and document which the said appointed agents and attorneys-in-fact may take, execute or file pursuant thereto with the same force and effect as though such action had been taken or such documents had been executed or filed by the undersigned respectively.

This Power of Attorney shall remain in full force and effect until revoked or superseded by written notice filed with the SEC.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney on the 30th day of January 2001.

Richard B. Waugh, Jr.

/s/ RICHARD B. WAUGH, JR.

Corporate Vice President, Chief
Financial Officer and
Principal Financial Officer

EXHIBIT 24.4

POWER OF ATTORNEY

FILING OF REGISTRATION STATEMENT ON FORM S-4

KNOW ALL MEN BY THESE PRESENTS, that the undersigned director and/or officer of Northrop Grumman Corporation a Delaware corporation and NNG, Inc. a Delaware corporation (both herein singly and collectively and singly, the "Corporation") hereby nominates and appoints RICHARD B. WAUGH, JR., W. BURKS TERRY and JOHN H. MULLAN, and each of them acting or signing singly, his or her agents and attorneys-in-fact (the "Agents"), in his or her name to execute and/or file (1) a registration statement on Form S-4 under the Securities Act of 1933, as amended, (the "Act"), in connection with the registration, offer and sale or exchange under the Act of shares of Common Stock of the Corporation in connection with the Corporation's tender or exchange offer (including any associated merger transaction) for the Common Stock, $1.00 par value per share and Series B $2.00 Cumulative Preferred Stock, $5.00 par value per share of Litton Industries, Inc.; and (2) any one or more amendments to any part of the foregoing registration statement, including any post-effective amendments or appendices or supplements that may be required to be filed under the Act to keep such registration statement effective or to terminate its effectiveness.

Further, the undersigned does hereby authorize and direct the said agents and attorneys-in-fact to take any and all actions and execute and file any and all documents with the Securities and Exchange Commission (the "SEC"), or state regulatory agencies, necessary, proper or convenient in their opinion to comply with the Act and the rules and regulations or orders of the SEC, or state regulatory agencies, adopted or issued pursuant thereto, including the making of any requests for acceleration of the effective date of said registration statement, to the end that the registration statement of the Corporation shall become effective under the Act and any other applicable law.

Finally, the undersigned does hereby ratify, confirm and approve each and every act and document which the said appointed agents and attorneys-in-fact may take, execute or file pursuant thereto with the same force and effect as though such action had been taken or such documents had been executed or filed by the undersigned respectively.

This Power of Attorney shall remain in full force and effect until revoked or superseded by written notice filed with the SEC.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney on the 30 day of January 2001.

Jack R. Borsting

/s/ JACK R. BORSTING

Director

EXHIBIT 24.5

POWER OF ATTORNEY

FILING OF REGISTRATION STATEMENT ON FORM S-4

KNOW ALL MEN BY THESE PRESENTS, that the undersigned director and/or officer of Northrop Grumman Corporation a Delaware corporation and NNG, Inc. a Delaware corporation (both herein singly and collectively and singly, the "Corporation") hereby nominates and appoints RICHARD B. WAUGH, JR., W. BURKS TERRY and JOHN H. MULLAN, and each of them acting or signing singly, his or her agents and attorneys-in-fact (the "Agents"), in his or her name to execute and/or file (1) a registration statement on Form S-4 under the Securities Act of 1933, as amended, (the "Act"), in connection with the registration, offer and sale or exchange under the Act of shares of Common Stock of the Corporation in connection with the Corporation's tender or exchange offer (including any associated merger transaction) for the Common Stock, $1.00 par value per share and Series B $2.00 Cumulative Preferred Stock, $5.00 par value per share of Litton Industries, Inc.; and (2) any one or more amendments to any part of the foregoing registration statement, including any post-effective amendments or appendices or supplements that may be required to be filed under the Act to keep such registration statement effective or to terminate its effectiveness.

Further, the undersigned does hereby authorize and direct the said agents and attorneys-in-fact to take any and all actions and execute and file any and all documents with the Securities and Exchange Commission (the "SEC"), or state regulatory agencies, necessary, proper or convenient in their opinion to comply with the Act and the rules and regulations or orders of the SEC, or state regulatory agencies, adopted or issued pursuant thereto, including the making of any requests for acceleration of the effective date of said registration statement, to the end that the registration statement of the Corporation shall become effective under the Act and any other applicable law.

Finally, the undersigned does hereby ratify, confirm and approve each and every act and document which the said appointed agents and attorneys-in-fact may take, execute or file pursuant thereto with the same force and effect as though such action had been taken or such documents had been executed or filed by the undersigned respectively.

This Power of Attorney shall remain in full force and effect until revoked or superseded by written notice filed with the SEC.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney on the 31st day of January 2001.

John T. Chain, Jr.

/s/ JOHN T. CHAIN, JR.

Director

EXHIBIT 24.6

POWER OF ATTORNEY

FILING OF REGISTRATION STATEMENT ON FORM S-4

KNOW ALL MEN BY THESE PRESENTS, that the undersigned director and/or officer of Northrop Grumman Corporation a Delaware corporation and NNG, Inc. a Delaware corporation (both herein singly and collectively and singly, the "Corporation") hereby nominates and appoints RICHARD B. WAUGH, JR., W. BURKS TERRY and JOHN H. MULLAN, and each of them acting or signing singly, his or her agents and attorneys-in-fact (the "Agents"), in his or her name to execute and/or file (1) a registration statement on Form S-4 under the Securities Act of 1933, as amended, (the "Act"), in connection with the registration, offer and sale or exchange under the Act of shares of Common Stock of the Corporation in connection with the Corporation's tender or exchange offer (including any associated merger transaction) for the Common Stock, $1.00 par value per share and Series B $2.00 Cumulative Preferred Stock, $5.00 par value per share of Litton Industries, Inc.; and (2) any one or more amendments to any part of the foregoing registration statement, including any post-effective amendments or appendices or supplements that may be required to be filed under the Act to keep such registration statement effective or to terminate its effectiveness.

Further, the undersigned does hereby authorize and direct the said agents and attorneys-in-fact to take any and all actions and execute and file any and all documents with the Securities and Exchange Commission (the "SEC"), or state regulatory agencies, necessary, proper or convenient in their opinion to comply with the Act and the rules and regulations or orders of the SEC, or state regulatory agencies, adopted or issued pursuant thereto, including the making of any requests for acceleration of the effective date of said registration statement, to the end that the registration statement of the Corporation shall become effective under the Act and any other applicable law.

Finally, the undersigned does hereby ratify, confirm and approve each and every act and document which the said appointed agents and attorneys-in-fact may take, execute or file pursuant thereto with the same force and effect as though such action had been taken or such documents had been executed or filed by the undersigned respectively.

This Power of Attorney shall remain in full force and effect until revoked or superseded by written notice filed with the SEC.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney on the 31st day of January 2001.

Vic Fazio

/s/ VIC FAZIO

Director

EXHIBIT 24.7

POWER OF ATTORNEY

FILING OF REGISTRATION STATEMENT ON FORM S-4

KNOW ALL MEN BY THESE PRESENTS, that the undersigned director and/or officer of Northrop Grumman Corporation a Delaware corporation and NNG, Inc. a Delaware corporation (both herein singly and collectively and singly, the "Corporation") hereby nominates and appoints RICHARD B. WAUGH, JR., W. BURKS TERRY and JOHN H. MULLAN, and each of them acting or signing singly, his or her agents and attorneys-in-fact (the "Agents"), in his or her name to execute and/or file (1) a registration statement on Form S-4 under the Securities Act of 1933, as amended, (the "Act"), in connection with the registration, offer and sale or exchange under the Act of shares of Common Stock of the Corporation in connection with the Corporation's tender or exchange offer (including any associated merger transaction) for the Common Stock, $1.00 par value per share and Series B $2.00 Cumulative Preferred Stock, $5.00 par value per share of Litton Industries, Inc.; and (2) any one or more amendments to any part of the foregoing registration statement, including any post-effective amendments or appendices or supplements that may be required to be filed under the Act to keep such registration statement effective or to terminate its effectiveness.

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This Power of Attorney shall remain in full force and effect until revoked or superseded by written notice filed with the SEC.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney on the 31st day of January 2001.

Phillip Frost

/s/ PHILLIP FROST

Director

EXHIBIT 24.8

POWER OF ATTORNEY

FILING OF REGISTRATION STATEMENT ON FORM S-4

KNOW ALL MEN BY THESE PRESENTS, that the undersigned director and/or officer of Northrop Grumman Corporation a Delaware corporation and NNG, Inc. a Delaware corporation (both herein singly and collectively and singly, the "Corporation") hereby nominates and appoints RICHARD B. WAUGH, JR., W. BURKS TERRY and JOHN H. MULLAN, and each of them acting or signing singly, his or her agents and attorneys-in-fact (the "Agents"), in his or her name to execute and/or file (1) a registration statement on Form S-4 under the Securities Act of 1933, as amended, (the "Act"), in connection with the registration, offer and sale or exchange under the Act of shares of Common Stock of the Corporation in connection with the Corporation's tender or exchange offer (including any associated merger transaction) for the Common Stock, $1.00 par value per share and Series B $2.00 Cumulative Preferred Stock, $5.00 par value per share of Litton Industries, Inc.; and (2) any one or more amendments to any part of the foregoing registration statement, including any post-effective amendments or appendices or supplements that may be required to be filed under the Act to keep such registration statement effective or to terminate its effectiveness.

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This Power of Attorney shall remain in full force and effect until revoked or superseded by written notice filed with the SEC.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney on the 31st day of January 2001.

Charles R. Larson

/s/ CHARLES R. LARSON

Director

EXHIBIT 24.9

POWER OF ATTORNEY

FILING OF REGISTRATION STATEMENT ON FORM S-4

KNOW ALL MEN BY THESE PRESENTS, that the undersigned director and/or officer of Northrop Grumman Corporation a Delaware corporation and NNG, Inc. a Delaware corporation (both herein singly and collectively and singly, the "Corporation") hereby nominates and appoints RICHARD B. WAUGH, JR., W. BURKS TERRY and JOHN H. MULLAN, and each of them acting or signing singly, his or her agents and attorneys-in-fact (the "Agents"), in his or her name to execute and/or file (1) a registration statement on Form S-4 under the Securities Act of 1933, as amended, (the "Act"), in connection with the registration, offer and sale or exchange under the Act of shares of Common Stock of the Corporation in connection with the Corporation's tender or exchange offer (including any associated merger transaction) for the Common Stock, $1.00 par value per share and Series B $2.00 Cumulative Preferred Stock, $5.00 par value per share of Litton Industries, Inc.; and (2) any one or more amendments to any part of the foregoing registration statement, including any post-effective amendments or appendices or supplements that may be required to be filed under the Act to keep such registration statement effective or to terminate its effectiveness.

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This Power of Attorney shall remain in full force and effect until revoked or superseded by written notice filed with the SEC.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney on the 31st day of January 2001.

Robert A. Lutz

/s/ ROBERT A. LUTZ

Director

EXHIBIT 24.10

POWER OF ATTORNEY

FILING OF REGISTRATION STATEMENT ON FORM S-4

KNOW ALL MEN BY THESE PRESENTS, that the undersigned director and/or officer of Northrop Grumman Corporation a Delaware corporation and NNG, Inc. a Delaware corporation (both herein singly and collectively and singly, the "Corporation") hereby nominates and appoints RICHARD B. WAUGH, JR., W. BURKS TERRY and JOHN H. MULLAN, and each of them acting or signing singly, his or her agents and attorneys-in-fact (the "Agents"), in his or her name to execute and/or file (1) a registration statement on Form S-4 under the Securities Act of 1933, as amended, (the "Act"), in connection with the registration, offer and sale or exchange under the Act of shares of Common Stock of the Corporation in connection with the Corporation's tender or exchange offer (including any associated merger transaction) for the Common Stock, $1.00 par value per share and Series B $2.00 Cumulative Preferred Stock, $5.00 par value per share of Litton Industries, Inc.; and (2) any one or more amendments to any part of the foregoing registration statement, including any post-effective amendments or appendices or supplements that may be required to be filed under the Act to keep such registration statement effective or to terminate its effectiveness.

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This Power of Attorney shall remain in full force and effect until revoked or superseded by written notice filed with the SEC.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney on the 29 day of January 2001.

Aulana L. Peters

/s/ AULANA L. PETERS

Director

EXHIBIT 24.11

POWER OF ATTORNEY

FILING OF REGISTRATION STATEMENT ON FORM S-4

KNOW ALL MEN BY THESE PRESENTS, that the undersigned director and/or officer of Northrop Grumman Corporation a Delaware corporation and NNG, Inc. a Delaware corporation (both herein singly and collectively and singly, the "Corporation") hereby nominates and appoints RICHARD B. WAUGH, JR., W. BURKS TERRY and JOHN H. MULLAN, and each of them acting or signing singly, his or her agents and attorneys-in-fact (the "Agents"), in his or her name to execute and/or file (1) a registration statement on Form S-4 under the Securities Act of 1933, as amended, (the "Act"), in connection with the registration, offer and sale or exchange under the Act of shares of Common Stock of the Corporation in connection with the Corporation's tender or exchange offer (including any associated merger transaction) for the Common Stock, $1.00 par value per share and Series B $2.00 Cumulative Preferred Stock, $5.00 par value per share of Litton Industries, Inc.; and (2) any one or more amendments to any part of the foregoing registration statement, including any post-effective amendments or appendices or supplements that may be required to be filed under the Act to keep such registration statement effective or to terminate its effectiveness.

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This Power of Attorney shall remain in full force and effect until revoked or superseded by written notice filed with the SEC.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney on the 31st day of January 2001.

John E. Robson

/s/ JOHN E. ROBSON

Director

EXHIBIT 24.12

POWER OF ATTORNEY

FILING OF REGISTRATION STATEMENT ON FORM S-4

KNOW ALL MEN BY THESE PRESENTS, that the undersigned director and/or officer of Northrop Grumman Corporation a Delaware corporation and NNG, Inc. a Delaware corporation (both herein singly and collectively and singly, the "Corporation") hereby nominates and appoints RICHARD B. WAUGH, JR., W. BURKS TERRY and JOHN H. MULLAN, and each of them acting or signing singly, his or her agents and attorneys-in-fact (the "Agents"), in his or her name to execute and/or file (1) a registration statement on Form S-4 under the Securities Act of 1933, as amended, (the "Act"), in connection with the registration, offer and sale or exchange under the Act of shares of Common Stock of the Corporation in connection with the Corporation's tender or exchange offer (including any associated merger transaction) for the Common Stock, $1.00 par value per share and Series B $2.00 Cumulative Preferred Stock, $5.00 par value per share of Litton Industries, Inc.; and (2) any one or more amendments to any part of the foregoing registration statement, including any post-effective amendments or appendices or supplements that may be required to be filed under the Act to keep such registration statement effective or to terminate its effectiveness.

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This Power of Attorney shall remain in full force and effect until revoked or superseded by written notice filed with the SEC.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney on the 31st day of January 2001.

Richard M. Rosenberg

/s/ RICHARD M. ROSENBERG

Director

EXHIBIT 24.13

POWER OF ATTORNEY

FILING OF REGISTRATION STATEMENT ON FORM S-4

KNOW ALL MEN BY THESE PRESENTS, that the undersigned director and/or officer of Northrop Grumman Corporation a Delaware corporation and NNG, Inc. a Delaware corporation (both herein singly and collectively and singly, the "Corporation") hereby nominates and appoints RICHARD B. WAUGH, JR., W. BURKS TERRY and JOHN H. MULLAN, and each of them acting or signing singly, his or her agents and attorneys-in-fact (the "Agents"), in his or her name to execute and/or file (1) a registration statement on Form S-4 under the Securities Act of 1933, as amended, (the "Act"), in connection with the registration, offer and sale or exchange under the Act of shares of Common Stock of the Corporation in connection with the Corporation's tender or exchange offer (including any associated merger transaction) for the Common Stock, $1.00 par value per share and Series B $2.00 Cumulative Preferred Stock, $5.00 par value per share of Litton Industries, Inc.; and (2) any one or more amendments to any part of the foregoing registration statement, including any post-effective amendments or appendices or supplements that may be required to be filed under the Act to keep such registration statement effective or to terminate its effectiveness.

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This Power of Attorney shall remain in full force and effect until revoked or superseded by written notice filed with the SEC.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney on the 31st day of January 2001.

Richard J. Stegemeier

/s/ RICHARD J. STEGEMEIER

Director

EXHIBIT 24.14

POWER OF ATTORNEY

FILING OF REGISTRATION STATEMENT ON FORM S-4

KNOW ALL MEN BY THESE PRESENTS, that the undersigned director and/or officer of Northrop Grumman Corporation a Delaware corporation and NNG, Inc. a Delaware corporation (both herein singly and collectively and singly, the "Corporation") hereby nominates and appoints RICHARD B. WAUGH, JR., W. BURKS TERRY and JOHN H. MULLAN, and each of them acting or signing singly, his or her agents and attorneys-in-fact (the "Agents"), in his or her name to execute and/or file (1) a registration statement on Form S-4 under the Securities Act of 1933, as amended, (the "Act"), in connection with the registration, offer and sale or exchange under the Act of shares of Common Stock of the Corporation in connection with the Corporation's tender or exchange offer (including any associated merger transaction) for the Common Stock, $1.00 par value per share and Series B $2.00 Cumulative Preferred Stock, $5.00 par value per share of Litton Industries, Inc.; and (2) any one or more amendments to any part of the foregoing registration statement, including any post-effective amendments or appendices or supplements that may be required to be filed under the Act to keep such registration statement effective or to terminate its effectiveness.

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This Power of Attorney shall remain in full force and effect until revoked or superseded by written notice filed with the SEC.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney on the 31st day of January 2001.

John Brooks Slaughter

/s/ JOHN BROOKS SLAUGHTER

Director