

DATA SYSTEMS TODAY

June 30, 1999

Litton Launches Corporate-Wide Initiative to Achieve Vision

As the new millennium approaches, an intensive effort is underway at Litton Industries to put strategies in place that will enable the corporation to fulfill the goals of its mission statement and ensure continued growth and success.

Building upon Litton's mission statement and guiding principles, six corporate-wide task forces have been formed to identify 'best practices' in the following areas

- People Development
- Corporate Synergies
- Productivity Improvements
- Technology Excellence
- Market-Focused Investments
- Value Metrics

The People Development Task Force will seek to align the success of employees with the success of the business by ensuring a high performance workforce, ensuring continuous, extraordinary leadership and creating and maintaining an attractive work environment.

Establishing a strong corporate identity and culture, ensuring metrics and incentives to encourage divisional cooperation and creating processes and structures to support opportunities for multidivisional efforts is the goal of the Corporate Synergy task force

In the area of productivity improvement, the goal is to establish a team of knowledgeable managers representing a cross-section of the corporation who will select applicable improvement tools for effective implementation and formalize recommended approaches to make Litton the lowest cost, most responsible supplier in the markets we serve

Strategies to establish a corporate image for technical excellence include developing an integrated technology

Litton's Guiding Principles

Customers

- Our customers are our highest priority

People

- We recognize the value of our employees, and we are committed to challenging, growth-oriented opportunities for all employees

Ethics

- We are committed to high ethical standards in EVERYTHING we do and compliance with our Statement of Principles and Standards of Conduct

Teamwork

- The hallmark of our success is teamwork - within Litton, with our customers and with our suppliers

Innovation

- We value, encourage and reward innovation

Shareholders

- We have a primary duty to manage the Company to promote shareholder value in accordance with the direction and trust given by our Shareholders

and business planning process coupled with customer awareness programs, establishing cognizance of and proficiency in internal and external technology and competitive technical intelligence and exploiting Litton Intellectual property through patents, Trademarks and licenses.

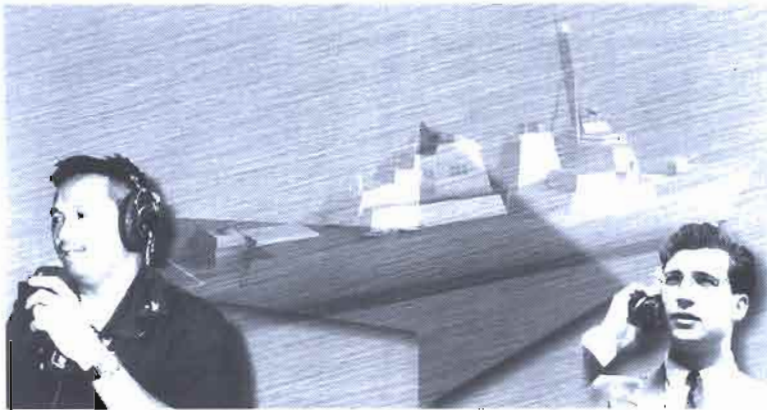
The Market Focused Investment strategy is to establish the strategic direction for the corporation, develop and institutionalize a timely and effective investment and capital allocation process and achieve market focus for making investment decisions that will support annual corporate revenue growth of at least 7% with greater than 3% return over the cost of capital.

The mission of Litton Industries, Inc. is to create shareholder value as a world-wide diversified supplier with leadership positions in defense and commercial electronics, shipbuilding and information technology.

The Value Metrics strategy will seek to grow shareholder value by institutionalizing a value based management system with goals and measurement processes that are well understood both internally and externally and are supported by performance awards and long term incentive programs.

Task force progress reports will be presented at the Presidents' Council meetings in Fall 1999 and Spring 2000, with implementation of all strategies scheduled to be completed by August 1, 2000. □

Navy Modernizes Communications



Data Systems and Ingalls Shipbuilding will partner to

identify improvements to shipboard communication technology for DDG 51 Class ships.

Data Systems Ocean Springs, in association with Ingalls Shipbuilding, has been awarded a contract by the Navy's Aegis Program Office to define shipboard communication technology for future generation ships. The Shipboard Communication Cost Reduction Study will analyze the current operational requirements of DDG 51 Class ships to determine how the crew communicates. The functional communication

requirements will allow suppliers to define systems that are in development and will be available in the next 5-10 years.

The goal of the study is to identify communication technology that will require minimal manpower and training to operate and will greatly reduce procurement, installation and life cycle costs.

Currently, DDG51 (Aegis) Class ships

use a number of independent communication systems that are partially interconnected to allow communication between different operating functions. These fragmented systems have proven to be expensive to install, operate, maintain and staff. The three major communication systems on the DDG 51 Class cost over \$9 million and require four different technical ratings with sixteen weeks of training to operate and maintain.

Based upon DSD's extensive LHD 5 experience, significant savings can be achieved by using commercial off-the-shelf (COTS) systems. LHD 5 has two major systems (one COTS) that cost less than \$4.5 million and require only two technical ratings and five weeks of training. Even greater savings will be realized from communication technology available 10 years in the future.

Pending Navy funding, a system employing the most promising technology will be installed in a laboratory for evaluation. Later, the system will be installed on an operational ship for use and evaluation by the crew. This study will culminate in improvements to current and future ship platforms. □

Six More ICARE Awards for Agoura Hills/Moorpark

ICARE recognition was given to one team and one individual during the award ceremony in Agoura Hills on May 26, 1999.

The proposal development team of Terry Duren, Gary Effertz, Mike Smith, Roy Wells and Rick Williams was nominated by Joe Radford and Norma Wolf for their efforts on the \$475,000 winning proposal for the U.S. Army Tank & Automotive Command (TACOM). Working closely with DSD San Diego, the Moorpark-based team developed and linked their Point-to-Point Wiring and Signal Tracing technology to San Diego's existing Electronic Maintenance System. Their efforts not only merited Letters of Appreciation from the TACOM Program Manager for Heavy Vehicles, but were instrumental in the receipt of six additional quotes for similar technology for other TACOM vehicles for a possible



(L to r) Director of Human Resources Tom Kelly presented May's ICARE awards to Mike Smith, Terry Duren, Gary Effertz, Rick Williams, Roy Wells and Shig Hayashi.

\$2 million in new business.

Shig Hayashi, nominated by Richard MacKenzie, was responsible for making the many modifications necessary to keep the ProPricer and related pricing systems software operational following the migration to NT servers. Working in the wee hours of the morn-

ing and on weekends in order to minimize the Pricing organization's downtime, Shig took the initiative to see that the Division was back in the proposal business as soon as possible.

A total of 535 awards have been presented since the program's inception. □

Data Systems San Diego Wins TTWCS Contract



Litton Data Systems - San Diego (DSD-SD), as part of the Lockheed Martin Management and Data Systems Valley Forge PA team, was awarded the hardware subsystem portion of the Tactical Tomahawk Weapons Control System (TTWCS). This contract is being procured by the Naval Air Systems Command.

"This is a very exciting contract win for us in San Diego and firmly establishes our division as the leader in ruggedized COTS hardware," said DSD-SD General Manager Lou Kelly.

"Litton will be responsible for the design and development of all TTWCS hardware subsystems. We will also perform as the hardware integration agent

and Integrated Product Team (IPT) leader. We will provide technical support to systems engineering, program and software IPTs and design and develop all Engineering Design Model (EDM) and production hardware."

The TTWCS system will include new upgrades and enhancements to the currently operational Tomahawk Weapons Control System (TWCS) and Advanced Tomahawk Weapons Control System (ATWCS). These upgrades will support the capabilities of the new Tactical Tomahawk missile including in-flight re-targeting, damage assessment, improved inter-ship coordination and extensive onboard route planning.

Compared to the TWCS and ATWCS, TTWCS will weigh less, require less shipboard space and need fewer operators and maintenance personnel to execute its mission.

Lockheed Martin Management and Data Systems is the prime contractor

with overall system design and development responsibility for this cost plus award fee contract valued at \$69.4 million for the initial EDM phase which completes in April 2003. Data Systems' initial award for the EDM phase is valued at \$12 million with an additional \$40 million in production hardware and engineering services.

The TTWCS program capture manager is Norm Iverson with assistance provided by Marty Newman. The contract will be managed under the Rugged Integrated Systems Business Area team with Arnie Edner as team director and Jim Gates as program manager. Overall hardware IPT leadership for the Lockheed Martin/Litton team is Dave Dishman of DSD-San Diego.

TTWCS is a long-term contract that significantly increases our hardware engineering services role and establishes DSD-SD as a major contributor in an essential National Security weapons platform. □

Local Schools Benefit from Education Support Grants

Six schools nominated by Data Systems' employees have received grants of \$1,500 each under the 1999 K-12 Education Support Program. This program, which began in 1991, was created to complement Litton's long-standing support of higher education through programs such as the National Merit Scholarships and endowments to selected universities. With the tightening of school budgets, Litton began to see a need to provide support at the elementary and secondary levels so students would be given access to educational opportunities that would enable them to

qualify for college. In addition, because Litton wanted to give to the communities where its employees live and work, the program feature of having employees nominate the schools was established. Since the program's inception, a total of \$1,259,500 has been awarded.



Grissom High School Acting Principal Walker

McGinnis accepts a check from Chris Adams, Litton Program Manager for THAAD-Huntsville on behalf of the teachers and students. Pictured (l to r) are Rick Daniel, assistant wrestling coach, Chris Adams, nominating employee Frank Craig, Walker McGinnis and Ronnie Massey, football coach.

The program is funded through the Foundation of the Litton Industries established many years ago by Litton's founder, Tex Thornton, with an endowment of a personal donation of stock. The interest being earned from this original investment funds all the edu-

cational programs in which Litton participates.

In 1999, 22 Litton divisions presented K-12 awards for a total dollar amount of \$188,000. The majority of awards given over the years have been for computers and software. Science lab equipment and library and reading books for the primary grades are the second most frequently funded projects.

The proposals selected this year are as follows.

Agoura/Moorpark

Redeemer Baptist Elementary in Los Angeles, nominated by Janet Friedman, will purchase computers and color monitors for its computer lab.

Our Savior's First Lutheran in Granada Hills, nominated by Timothy Allwardt, will upgrade its computer lab PCs to Windows '98.

Continued on page 4

U.S. Air Force Awards



Captain Frank Barrow, USAF (far right) and Jim Martin, Electronic System Command/ACFG (far left) recognized the outstanding contributions of (r to l) Steve Young, Ron Marson, Dave Mook and Jerry Elliott (not shown). P3I Program Manager Gerry Meherin was also on hand to offer his congratulations.

The following "Certificate of Appreciation" was awarded to Jerry Elliott - Engineering, Ron Marson - Program Office, Dave Mook - Integrated Logistic Support and Steve Young - Hardware Integration and Test, by Captain Frank Barrow during the 7th Production MCE P3I Interface Program Management Review in Agoura on May 20, 1999

Presented in recognition of your outstanding contributions to the Modular Control Equipment (MCE) Pre-Planned Product Improvement (P3I) Production Program and to the Ground Theater Air Control System (GTACS) Program Office. Your professionalism, dedication and perseverance were instrumental to the successful delivery and fielding of the MCE P3I modified Operations Modules, which provide the warfighter with critical upgrades to the MCE system, the heart of GTACS. Signed by Kevin R. Erickson, Lt Col, USAF, Development Systems Manager, GTACS and Franklin D. Barrow, Capt, USAF, MCE P3I Program Manager, GTACS.

Both Ron and Jerry recently retired and Dave and Steve will retire soon. The USAF acknowledgement of their outstanding program support was highly applauded during the presentation ceremony. Capt Barrow stated that these gentlemen were a very important part of the P3I Team, and as such, were highly respected by the USAF program office and user community.

Ron, Jerry, Dave and Steve, Thanks for a "Job Well Done!" □

AVONDALE ACCEPTS REVISED ACQUISITION PROPOSAL

On June 1, Litton Industries, Inc. said it has been notified by Avondale Industries, Inc. that Avondale's Board of Directors is prepared to accept Litton's revised acquisition proposal of \$39.50 per share in a transaction valued at \$529 million in the aggregate. Avondale previously had agreed to be acquired by Newport News Shipbuilding in a stock-for-stock transaction valued at \$35.50 per share based on Newport News' closing stock price of \$29.6875 on January 19, 1999, the last trading

day prior to the announcement of the proposal.

Avondale has informed Newport News of its intent to terminate the merger agreement, and said it intended to sign a definitive merger agreement with Litton following the expiration of a 48-hour notification period required under the Avondale/Newport News merger agreement. Newport News has announced it will not raise its offer to Avondale, effectively ending its bid for the company.

K-12

continued from page 3

Huntsville

Grissom High School, nominated by Frank Craig, will purchase TV/VCR sets and a video camera for use with multimedia teaching resources

Ocean Springs

St. Martin East, nominated by Haskel Lee, will purchase math, science and language arts educational software.

San Diego

Canyon View Elementary, nominated by J. Kevin Govea, will purchase laptop DreamWriters to enhance basic keyboarding skills.

Avocado Elementary, nominated by Todd Benson, will purchase writing resource books to improve writing skills

A total of thirty-two proposals were submitted this year by Data Systems' personnel.

Information concerning the K-12 Education Support Program for 2000 will be available in December 1999. □

Independence Day Holiday

Data Systems will observe Independence Day on Monday, July 5, 1999, giving employees a three-day weekend.

Have a safe and enjoyable holiday. □

Michael D. Brown, chairman and chief executive officer, said, "We're extremely pleased that Avondale's board has recognized the superior value of our all-cash proposal. We look forward to executing this agreement, which will create a world-class shipbuilder."

Avondale Industries, Inc., headquartered in metropolitan New Orleans, designs, builds and overhauls both military and commercial vessels. □

Two from Data Systems Win National Merit Scholarships

Steve Tung, son of Senior Engineering Specialist Joe Tung, and Jarod Banks, son of Member, Senior Technical Staff Bob Banks, are the recipients of two of the twenty Litton-sponsored Merit Scholarships for 1999. The National Merit Scholarship Corporation, which administers the program, bases its annual selections on students' test scores, academic records, personal leadership and significant extracurricular accomplishments. Merit Scholars are composed of the top 1/2 of 1% of graduating seniors as measured by these criteria.

Steve attends Grover Cleveland High School and plans to attend the UC Berkeley School of Engineering as a Computer Science major. The top-ranked student in his class, he was the co-captain of his school's Academic Decathlon team, won two gold medals in the citywide competition and placed fifth overall in mathematics. He also holds the position of KEY CLUB Treasurer and is a College Peer Counselor, where his specific role is that of testing coordinator. In addition to having been a section coordinator of a published college handbook. Steve also works as one of his school's radio announcers. He was captain in the two years he played for Cleveland's freshman and JV basketball teams. His academic achievements include Advanced Placement Scholar with Honor, Golden State Examination High Honors (U.S. History, Biology and Chemistry) and California Scholarship Federation Gold Seal Bearer. Steve spent the summer between his junior and senior year working as a laboratory assistant at Kaiser Permanente Hospital. In trying to "stay ahead of the pack" in college, Steve has already taken computer programming classes at a local college.

Jarod attends Westlake High School where he has been a member of the volleyball team for four years, was captain of the JV team and ran with the cross country team for two years. He sings in a selective competitive group with the Westlake Choir. Jarod is a member of student government at Westlake and president of the student portion of PTSA. He is a California Scholarship Federation Gold Seal Bearer and a National Merit Finalist and has received numerous Golden State Awards. Extra-



Jarod Banks and Steve Tung (seated, l to r) received National

Merit Scholarship Certificates from Human Resources Director Tom Kelly (standing, center) while proud fathers Bob Banks and Joe Tung looked on. Jarod and Steve rank in the top 1/2 of 1% of all graduating seniors

curricular activities include volunteer work at Los Robles Medical Center and serving as president of his church youth group. Jarod plans to become a physician and participated in the prestigious Advanced Anatomy program at Westlake. He will attend UC Berkeley in the fall, majoring in cognitive sciences, and then hopes to continue his studies at Johns Hopkins Medical School.

Both of these extraordinary achievers will receive four-year scholarships ranging from \$2,000 to \$3,500 per year to help finance their education.

Litton encourages all employees whose children meet National Merit Scholarship requirements to enter the scholarship competition. Students who will be in their junior year of high school in the fall of 1999 can obtain information on next year's Preliminary Scholarship Aptitude Test/National Merit Scholarship Qualifying Test from their school. Litton Merit/Scholarship entry forms are available from Human Resources. Information concerning the deadline for entering the 2001 competition will be distributed in September 1999. □

Farewell from the Marine Corps Liaison Officer...

As I depart for my next assignment, I want to thank each of you for the outstanding support and extreme patience you have shown me throughout my tour as the Marine Corps Liaison Officer. Being assigned to Data Systems as an Infantry Officer with no computer experience was initially cause for a lot of apprehension, but this assignment has been extremely rewarding - both professionally and personally. Rarely does a Marine have the opportunity to work in an environment that provides exposure to such a diverse wealth of knowl-

edge, opportunities and friends

Without the dedication and hard work of people such as yourselves, the military would not have the formidable weapon systems that help to keep us the strongest in the world. Take pride in knowing that your efforts are truly appreciated by the military members who depend on the products you provide.

As we say in the Naval Services, fair winds and following seas to all of you
Semper Fidelis,
 Major Steve Berger □

Software Development Capability Assessed



(From right) Mark Amaya, authorized Lead Assessor, managed the assessment team consisting of Jim Cilva, Dennis Creed, Karen Owens, William B. Calhoun (GCS), Shan Barkataki, Susan Dixon and Leo Hoffman.

On May 28, 1999, Litton Data Systems completed a six-day Capability Maturity Model (CMM) Based Appraisal for Internal Process Improvement (CBA IPI). The purpose of the appraisal was to assess the organization's software development capability and provide an accurate picture of the current software processes in order to enhance our process improvement program and initiate Level 4 tasks.

Mark Amaya of SPP&T was selected as the Software Engineering Institute (SEI) certified lead assessor. He conducted a one-day Capability Maturity Model course followed by a three-day assessment course for the assessment team. The team consisted of Susan Dixon, Director of Engineering Processes, and members from the EPG including, Leo Hoffman, Karen Owens, Jim Cilva, Dennis Creed, Shan Barkataki, a project representative from OAADS and R/SAOC; and William B. Calhoun, Manager of Division Audit from Guidance and Control Systems.

Four projects from Agoura Hills and Moorpark were selected to be representative for this assessment: C2M, Crusader, OAADS and R/SAOC. Project artifact notebooks were prepared and updated to provide evidence that approximately two hundred key practices of the CMM were being followed by each project. Karen Owens was the site coordinator who handled the logistics of the assessment, including developing the assessment plan and coordinating the assessment participants.

Over 50 participants representing the functional areas of Configuration Management, Software Quality Assurance, Technical Managers, System Engineers, Software Developers, Integration and System Testers, Program Directors and the Engineering Process Group were selected to be interviewed. A CMM Assessment course was provided to participants to help them prepare for the assessment.

An Opening Meeting was conducted on the first day of the assessment to kick off the onsite visit and to set participants' expectations concerning the assessment activities. Bill Allison, Vice President of Engineering, identified the business goals that bear on the organization's software development and maintenance activity. He stressed the goals of reducing the costs of developing software, improving the quality of our software products and the importance of sustaining our process improvement efforts. Mark Amaya provided an overview of the Capability Maturity Model, the business value of moving up in maturity level, the objectives of the assessment and the active flow of the assessment.

The assessment team spent six days conducting document reviews, interviewing participants, consolidating information, coming to consensus on findings, dry-running the findings to the participants and consolidating the findings into a final briefing. Each interviewee was also given an opportunity to answer: "If you could change one

thing in this organization besides your boss or your paycheck, what would it be?"

On the last day of the assessment, the lead assessor presented the Final Findings to the participants and members of senior staff including John DeVere, Vice President of Program Management and Duane Anderson, Vice President of Administration. The Final Briefing covered the strengths and weaknesses of our processes, comments from the assessment team and participants and the next steps to be followed after the assessment. John DeVere emphasized that the senior staff recognizes the need to re-energize the commitment to Level 4.

The software process strengths provide building blocks on which Data Systems can build to improve software capability. The software process weaknesses provide a guide for Data Systems in prioritizing improvement efforts. Bill Allison and John DeVere plan to create a Steering Committee to produce a Recommendations Report and oversee the creation and implementation of Action Plans. Project participation in the implementation of Action Plans is vital to ensure that project best practices are well understood and adopted by the Division as the standard process. Working Groups will be created to work the Action Plans and implement Level 4.

Data Systems has a plan to re-assess in eight months. □

Milestones

Congratulations to the following employees who celebrated their anniversaries during the month of June. Employees with 20, 25, 30 and 35 years of service are invited to be pictured here.



Vahe Hacopian

30 years, Director, Program Office, Program Management.



John Tracy

30 years, Director, Program Office, Program Management.



Jerry Fisher

25 years, Manufacturing Manager III, Operations.



John Mann

20 years, Master Planner-Specialist, Program Management.

35 years Lupe Richter.

30 years: Morris Brooks, Arthur Cinn, Roger St Pierre

25 years: Gary Glazier, Shig Hayashi.

20 years: Virginia Damasco.

15 years: Damon Farris, Anthony Scott.

10 years: Estelle Cervantes-Loy, Marcelina Smith, Russell Speck.

5 years: Scott Fisher, William Johnson, David Long, Fern Telio. □

Promotions

Congratulations go to the following employees.

Engineering: Michael Crawford to Member-Senior Technical Staff. Phil Dimonte to Member-Senior Technical Staff. Carl Edstrom to Senior Engineering Specialist. Donna Heidkamp to Senior Engineering Specialist. Deborah Hess-Wakeland to Senior Engineering Specialist. Steven Myers to ILS Project Manager. Robert Neher to Member-Senior Technical Staff. Darlene Page to Principal Associate Engineer. Richard Pugh to Principal Engineer. John Ritz to Member-Senior Technical Staff. Timothy Schimke to Engineering Specialist. Paul Wu to Senior Engineering Specialist.

San Diego: Phillip Burke to Technical Manager. Gary Allen Smith to Technical Manager. Karen Widholm to Technical Manager. □

On Board

Data Systems welcomes the following new employees.

Administration: Durward Bernard. □

Gone Fishin'

Data Systems salutes its retirees on their years of service and wishes them success in the years ahead.

Stephen Young. □

ETC Notes

Gift Certificate Drawings

Congratulations to the two winners in April. Howell Anderson won the \$100 J.C. Penney certificate in the monthly drawing and Diane Dye won the quarterly drawing for the \$250 certificate. □

Personals

Cards of thanks were received from the following:

Michael North for the cards and flowers sent in memory of his father, Robert North. □

Hotline

Employees may call the Division "Hotline" with any questions or comments or perceived noncompliance with the "Standards of Conduct."

Moorpark/
Agoura Hills.....818-706-4669

Other Ca.....1-800-843-5165

Outside Ca....1-800-237-0934. □

Bargainmart

Employees and retirees of Data Systems may use this column free of charge. Ads are limited to one per person each edition and may be extended to another upon request.

Ads must be fewer than 25 words and will include home phone numbers only (except Rideshare). Ads not meeting these requirements will not be published nor will they be returned. Send ads to Employee Services at M/S 15-22.

Deadline for the next issue: July 6.

OTHER

LOWEST LONG DISTANCE CALLING EVER! 4.9¢/min between 100 major metro areas or 6.9¢/min within 48 states 24hrs/7days/week for any phone! Call (818) 466-2440 ☐

ISO 9000 Training

Sue Adams of Litton Data Systems Ocean Springs has been certified by the International Register of Certificated Auditors (IRCA) as a Lead Auditor of Quality Systems after recently completing a five-day ISO 9000 Training Course.

The course material focused on full ISO 9000 accreditation including assessment of quality manuals, quality procedures, etc. By having a trained Lead Assessor in the facility, DSD Ocean Springs has established a definitive authority on ISO 9000 related issues within the organization and gained insight into the perspective of the ISO auditors. Sue's achievement improves our position with DCMC for ISO 9000 certification and will be instrumental in a successful third party registration.

DSD Ocean Springs was assessed by the local DCMC team in 1998 and



recently completed an additional internal assessment. A follow-up visit by DCMC is being scheduled in the coming months. ☐

Litton's Third Quarter Earnings per Share Increase

Litton Industries reported an increase in diluted earnings per share to \$1.10 for the third quarter of fiscal 1999 ended April 30. This is up from \$.98 for the third quarter of fiscal 1998. Net earnings for the quarter rose to \$50.9 million, compared with \$46.8 million last year. Revenues for the third quarter just concluded was \$1.26 billion, compared with \$1.14 billion for the comparable period of the prior year.

According to Michael R. Brown, president and chief executive officer,

"Earnings gains for the quarter and the nine months reflect the effort of improved margins at our Advanced Electronic Group, revenue and margins at our Marine Engineering Group and improved revenue at our Electronic Components and Materials Group."

"Primarily because of the TASC acquisition in April 1998 and revenue improvement at PRC, our Information Systems Group turned in strong revenue performance, reflecting an increase of 35% for the quarter and nearly 47% for

the nine months. However, profit margins declined primarily due to investments to develop the commercial information technology business of Litton Enterprise Solutions and in the developmental phase of several programs at Data Systems Division that will be transitioning to production over the next two years. We are actively reviewing all strategic options regarding LES and a decision is due before the end of the summer." ☐

DATA SYSTEMS TODAY

A publication of Litton Systems, Inc.
Data Systems Division
29851 Agoura Road, Agoura Hills, CA 91301
(818) 707-4335

Published monthly for employees of
Litton Data Systems

by **Human Resources**

Thomas M. Kelly, Director,
Human Resources

Ellen R. Gilbert

Human Resources Administrator

Photography and Production

Tech Data

— Equal Opportunity Employer —