

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-K

(X) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1993

or

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the transition period from Commission file number  
to 1-3229

NORTHROP CORPORATION  
(Exact name of registrant as specified in its charter)

DELAWARE 95-1055798  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

1840 Century Park East 90067  
Los Angeles, California (Zip Code)  
(Address of principal executive offices)

Registrant's telephone number, including area code (310) 553-6262

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, \$1 par value	New York Stock Exchange Pacific Stock Exchange

Securities Registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark whether the Registrant (1) has filed all reports  
required to be filed by Section 13 or 15(d) of the Securities Exchange Act  
of 1934 during the preceding 12 months (or such shorter period that the  
Registrant was required to file such reports), and (2) has been subject to  
such filing requirements for the past 90 days.

Yes

No

Indicate by check mark if disclosure of delinquent filers pursuant to Item  
405 of Regulation S-K is not contained herein, and will not be contained,  
to the best of Registrant's knowledge, in definitive proxy or information  
statements incorporated by reference in Part III of this Form 10-K or any  
amendment to this Form 10-K.

As of February 22, 1994, 49,132,906 shares of Common Stock were  
outstanding, and the aggregate market value of the Common Stock (based upon  
the closing price of the stock on the New York Stock Exchange) of the  
Registrant held by nonaffiliates was approximately \$1,932 million.

DOCUMENTS INCORPORATED BY REFERENCE  
Portions of the Proxy Statement for the 1994 Annual Meeting of  
Stockholders. Part III

Item 1. Business

Northrop Corporation was incorporated in Delaware in 1985. Northrop is an advanced technology company operating in the aerospace industry. The company designs, develops and manufactures aircraft, aircraft subassemblies and electronic systems for military and commercial use.

Additional information required by this Item is contained in Part II Item 7 of this Annual Report on Form 10-K.

Item 2. Properties

The major locations, general status of the company's interest in the property and identity of the industry segments which use the property described, are indicated in the following table.

Location	Property Interest
Anaheim, California(1) (5) (a) (b) (c) (e) . . . . .	Owned and leased
*Arlington, Virginia(5) (a) . . . . .	leased
Auborn, Washington (1) (c) . . . . .	leased
Carson, California(1) (c) . . . . .	leased
Compton, California(1) (b) (c) . . . . .	leased
Commerce, California(1) (c) . . . . .	leased
*Edwards Air Force Base, California(1) . . . . .	leased
Elk Grove, Illinois(4) (a) (b) (c) (d) . . . . .	leased
El Segundo, California(1) (3) (a) (b) (c) (d) . . . . .	Owned and leased
Fullerton, California(4) (a) (b) (c) . . . . .	leased
Gardena, California(1) (4) (a) (b) (c) . . . . .	Owned and leased
*Hawthorne, California(1) (3) (4) (5) (a) (b) (c) (d) . . . . .	Owned and leased
Hondo, Texas(2) (b) (c) . . . . .	leased
Kent, Washington(1) (c) . . . . .	leased
Lawton, Oklahoma (2) (a) . . . . .	Owned and leased
Los Angeles, California(1) (5) (a) (b) (c) (d) . . . . .	leased
Montebello, California(1) (c) . . . . .	leased
Newbury Park, California(1) (a) (b) (c) (d) . . . . .	Owned
New Town, North Dakota(4) (a) (b) (c) . . . . .	Owned and leased
Norwood, Massachusetts(4) (a) (b) (c) (d) . . . . .	Owned and leased
Palmdale, California(1) (a) (b) (c) (d) (e) . . . . .	Owned and leased
Perry, Georgia(1) (3) (a) (b) (c) . . . . .	Owned
Pico Rivera, California(1) (5) (a) (b) (c) (d) . . . . .	Owned and leased
Rolling Hills Estates, California(2) (a) (d) . . . . .	Owned
Rolling Meadows, Illinois(4) (a) (b) (c) (d) . . . . .	Owned and leased
Torrance, California(1) (a) (b) (c) . . . . .	Owned and leased
Warner Robins, Georgia(4) (a) (b) . . . . .	Owned
Warren, Michigan(1) (a) (b) (c) (d) . . . . .	Leased

\* Certain portions of the properties at each of these locations are leased or subleased to others. The company believes that in the aggregate the property covered by such leases or subleased to others is not material compared to the property actually utilized by the company in its business.

Following each described property are numbers indicating the industry segments utilizing the property:

- |              |   |
|--------------|---|
| (1) Aircraft | (3) Missiles and Unmanned Vehicle Systems |
| (2) Services | (4) Electronics                           |
|              | (5) General Corporate Asset               |

Following each described property are letters indicating the types of facilities located at each location:

- |                   |                          |
|-------------------|--------------------------|
| (a) office        | (c) warehouse            |
| (b) manufacturing | (d) research and testing |
|                   | (e) other                |

Government-owned facilities used or administered by the company

consist of 1,638,481 square feet at Air Force Plant 42, Palmdale, California and 430,511 square feet at Edwards Air Force Base, California.

The company believes its properties are well-maintained and in good operating condition. Under present business conditions and the company's volume of business, productive capacity is currently in excess of requirements.

Item 3. Legal Proceedings  
Environmental Proceedings

Stringfellow Site

On June 4, 1987, the United States District Court for the Central District of California entered an order against the company and other defendants declaring them jointly and severally liable under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") for clean-up and other costs at the Stringfellow site located near Riverside, California. The government contends it has spent in excess of \$70 million to date in clean-up costs. The potentially responsible parties have expended approximately \$6.9 million in clean-up costs of which the company has spent approximately \$335,000. Present estimates of future clean-up costs are between \$139 million and \$200 million. A fourth interim action Record Of Decision ("ROD") was issued by the Environmental Protection Agency ("EPA") on September 30, 1990, mandating certain remedial actions. The company and 14 other potentially responsible parties signed a Consent Decree with the EPA to perform certain work under that ROD. A trial to determine the State of California's responsibility for clean-up costs was concluded on June 17, 1992. In December 1993, the Special Master issued a recommended order on apportionment finding that the State and certain other defendants are responsible for up to 65% of the clean-up costs associated with the site under CERCLA standards and up to 95% of such costs under State law claims. The Court found that the manufacturers as a group (including Northrop) are responsible for 25% of the clean-up costs under CERCLA and none of the costs under State law claims. The State has indicated that it will oppose the Special Master's recommended order. The United States Air Force and the United States Navy have stipulated to liability for certain of the clean-up costs arising out of their activities at the site.

Northrop contributed less than 2% of the total volume of materials at the Stringfellow site. It is not known at this time whether a volumetric allocation for damages will be used in this matter. However, the clean-up costs attributable to Northrop are not expected to have a material adverse effect on the company's financial condition.

Litigation

False Claims Act Litigation

On June 9, 1987, a complaint, entitled U.S. ex rel, David Peterson and Jeff Kroll v. Northrop Corporation, was filed in the U.S. District Court for the Central District of California alleging violations by the company of the False Claims Act in connection with the operation of petty cash funds, inspection, testing, and pricing for the MX Peacekeeper Missile program. On September 1, 1989, the government intervened and reduced the scope of the lawsuit by filing an amended complaint. The amended complaint does not completely specify the total amount being sought but, rather, seeks damages in excess of \$1.2 million. On May 7, 1990, the Court ruled that the original plaintiffs may proceed with portions of the lawsuit that the government declined to include in the amended complaint. The trial in this matter is scheduled for August 1994.

On August 31, 1992, the company was served with a complaint in an action entitled U.S. ex rel Rex Robinson v Northrop. The lawsuit is filed in the United States District Court for the Northern District of Illinois. The complaint alleges that the company violated the False Claims Act with respect to certain accounting practices at its Rolling Meadows facility.

The U.S. Department of Justice has declined to intervene in the lawsuit which seeks unspecified damages.

The company has been named a defendant in a lawsuit filed in the U.S. District Court for the Central District of California, entitled Janssen v Northrop, pursuant to the False Claims Act relating to the company's pricing of subassemblies for the F/A-18 Hornet Jet. On April 9, 1990, the U.S. Department of Justice intervened in the lawsuit and filed an amended complaint. The amended complaint, which seeks unspecified damages and penalties, alleges common law fraud, unjust enrichment, and mistake of fact in connection with purported false statements regarding labor hours, cost of materials and total dollar costs that were required for Northrop to manufacture F/A-18 Hornet Jet subassemblies. In May 1992, the U.S. Government filed an additional complaint containing allegations substantially identical to those contained in the April 9, 1990 amended complaint. This complaint seeks damages relating to foreign military sales of the F/A-18 Hornet Jet.

In addition, the company is a party to a number of civil actions brought by private parties alleging violation of the False Claims Act in which the government has declined to intervene. These actions, which have been previously reported, relate to the MX Peacekeeper Missile, the Air Launched Cruise Missile and the Advanced Technology Bomber (B-2) programs. In a number of these actions, plaintiffs also allege employment related claims including claims of wrongful termination. Damages sought include claims for compensatory and punitive damages. A number of these civil actions were initially reported when it was unclear what position, if any, the government would take in the litigation. In light of the government's decision not to intervene or otherwise pursue the litigation, as well as the amounts involved, the cases will not be individually reported. Further, the company learns from time to time that it has been named as a defendant in lawsuits which are filed under seal pursuant to the False Claims Act. Since these matters remain under seal, the company does not possess sufficient information to accurately report on the particular allegations.

#### General

The company, as a government contractor, is from time to time subject to U.S. Government investigations relating to its operations. Government contractors that are found to have violated the False Claims Act, or are indicted or convicted for violations of other Federal laws, or are considered not to be responsible contractors may be suspended or debarred from government contracting for some period of time. Such convictions could also result in fines. Given the company's dependence on government contracting, suspension or debarment could have a material adverse effect on the company.

With respect to the lawsuits and proceedings discussed above, based upon available information, the company does not expect that any fines, damages or penalties that may result will have a material adverse effect on its financial position.

#### Executive Officers of the Registrant

The following individuals were the elected officers of the company as of February 16, 1994:

Name	Age	Office Held	Since	Business Experience Last Five Years
Kent Kresa	55	Chairman, President & CEO	1990	President and Chief Executive Officer; Prior to September 1990, President and COO.
Oliver C. Boileau, Jr.	66	Corporate Vice President, President and General Manager-	1992	Vice President, President and General

		B-2 Division		Manager, B-2 Division; Prior to November 1989, Consultant to General Dynamics
Arthur F. Dauer	57	Corporate Vice President and Chief Human Resources Officer	1991	Senior Vice President, Human Resources; Prior to 1991, Director of Human Resources, Hewlett-Packard Co.
Marvin Elkin	57	Corporate Vice President Administration and Services	1991	Vice President, Materiel and Services; Prior to 1989, Vice President and Deputy General Manager, B-2 Division
Sheila M. Gibbons	62	Corporate Vice President and Secretary	1992	Vice President and Secretary
Nelson F. Gibbs	56	Corporate Vice President and Contoller	1992	Vice President and Contoller; Prior to 1991, Partner, Deloitte & Touche
Robert F. Helm	42	Corporate Vice President, Government Relations	1994	Vice President, Legislative Affairs; Prior to 1989, Vice President, Business Development, Space and Aviation Systems Business, Honeywell, Inc.
Charles L. Jones	52	Corporate Vice President, Quality Operations	1991	Vice President and Manager Product Assurance and Productivity Department
Richard R. Molleur	61	Corporate Vice President and General Counsel	1991	Senior Vice President and General Counsel; Prior to 1991, Partner, Winston & Strawn.
John R. Rettberg	56	Corporate Vice President and Treasurer	1992	Vice President and Treasurer
James G. Roche	54	Corporate Vice President and Chief Advanced Development, Planning, and Public Affairs Officer	1993	Corporate Vice President and Chief Advanced Development and Planning Officer; Prior to 1991, Vice President and Special Assistant to the Chairman, President and CEO.
Wallace G. Solberg	62	Corporate Vice President and General Manager-Aircraft Division	1991	Vice President and General Manager, Electronics Systems Division; Prior to 1991, Vice President and General Manager, Defense Systems Division.
Richard B. Waugh, Jr.	50	Corporate Vice President and Chief Financial Officer	1993	Vice President, Taxes, Risk Management and Business Analysis
Max T. Weiss	71	Corporate Vice President and Manager, Electronics	1991	Vice President-General Technology and Systems Division Advanced Development; Prior to 1991, Vice President-Technology; Prior to 1990, Vice President-Technical, Electronics Systems Group.

Item 4. Submission of Matters to a Vote of Security Holders  
No information is required in response to this Item.

#### PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

The information required by this Item is contained in Part II, Item 8 of this Annual Report on Form 10-K.

Item 6. Selected Financial Data

The information required by this Item is contained in Part II, Item 7 of this Annual Report on Form 10-K.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Selected Financial Data

Year ended December 31, \$ in millions, except per share	1993	1992	1991	1990	1989
Net sales to:					
United States Government	\$ 4,481	\$ 4,958	\$ 5,102	\$ 4,929	\$ 4,677
The Boeing Company	533	550	542	489	469
Other customers	49	42	50	72	102
Total net sales	5,063	5,550	5,694	5,490	5,248
Net income(loss)	96	121	201	210	(81)
Earnings(loss) per share	1.99	2.56	4.26	4.48	(1.71)
Cash dividends per share	1.60	1.20	1.20	1.20	1.20
Net working capital	481	354	611	570	91
Current ratio	1.45 to 1	1.25 to 1	1.51 to 1	1.47 to 1	1.05 to 1
Total assets	\$ 2,939	\$ 3,162	\$ 3,128	\$ 3,094	\$ 3,196
Long-term debt	160	160	470	690	550
Total long-term obligations	468	426	688	727	583
Long-term debt as a percentage of shareholders equity	12.1%	12.8%	39.8%	66.8%	62.9%
Operating margin as a percentage of:					
Net sales	4.3	4.1	6.2	5.3	.4
Average operating assets	9.1	8.9	12.8	10.0	.8
Net income(loss) as a percentage of:					
Net sales	1.9	2.2	3.5	3.8	(1.5)
Average assets	3.1	3.8	6.5	6.7	(2.5)
Average shareholders' equity	7.5	9.9	18.1	22.1	(8.6)
Research and development expenses:					
Contract	\$ 1,603	\$ 1,693	\$ 1,601	\$ 2,164	\$ 2,412
Noncontract	97	93	102	156	180
Payroll and employee benefits	1,906	2,001	2,109	2,099	2,140
Number of employees at year-end	29,800	33,600	36,200	38,200	41,000
Number of shareholders at year-end	11,618	12,599	13,607	14,483	14,263
Depreciation and amortization	\$ 214	\$ 160	\$ 171	\$ 187	\$ 220
Maintenance and repairs	87	106	97	83	79
Rent expense	47	52	51	47	44
Floor area (millions of square feet):					
Owned	12.9	12.6	12.2	11.6	12.9
Commercially leased	3.2	4.2	4.5	5.4	5.6
Leased from United States Government	2.1	1.9	1.7	1.6	1.6

Business Conditions

Northrop's industry segments - aircraft, electronics, missiles and unmanned vehicle systems (MUVS) and services - are each a factor in the broadly defined aerospace industry. Much of the work in the missiles and unmanned vehicle systems segment is still classified, and contracts and program details cannot be disclosed. While Northrop is subject to the usual vagaries of the marketplace, it is also affected by the unique characteristics of the aerospace industry and by certain elements peculiar to its own business mix.

Northrop is one of about a dozen major companies in the industry that compete for the relatively small number of large, long-term programs that characterize both the defense and commercial segments of the aerospace business. It is common in the aerospace industry for work on major programs to be shared between a number of companies. A company competing to be a prime contractor can turn out to be a subcontractor. It is not uncommon to compete with customers, and to simultaneously be both a supplier to and customer of a given competitor. Boeing, Lockheed and McDonnell Douglas are the largest companies in the aerospace industry at this time. Northrop also competes against many other companies for a relatively large number of smaller programs, notably in the electronics areas. Competition is intense, yet the nature of major aerospace programs, conducted under binding contracts, allows companies that perform well to benefit from a level of program continuity unknown in many industries. Thus, intense competition and long operating cycles are both characteristic of the industry's - and Northrop's - business.

The B-2 bomber, for which the company is the prime contractor, is Northrop's largest program. Northrop's B-2 Division is responsible for assembly (in Palmdale, California) of the B-2's airframe, systems integration and parts of the B-2's navigation and electronic warfare/situational awareness system. Major subcontractors include Boeing, which makes the aft and outboard wing sections, landing gear and fuel system and Vought Aircraft, which makes fuselage sections. The Air Force plans to operate two B-2 bomber squadrons of eight aircraft each with the remaining four operational aircraft available to fill in for those in depot being serviced or upgraded.

The company's Aircraft Division is the principal subcontractor on the McDonnell Douglas F/A-18 program. The F/A-18 is a fighter/ground-attack aircraft that can carry either one or two crew members. It is principally deployed by the U.S. Navy on aircraft carriers, but several nations have purchased the aircraft and use it as a land-based combat aircraft. The company builds approximately 40% of the aircraft including the center and aft fuselage sections and vertical tails. Of the several versions of the F/A-18 in service, the A is a single seat combat aircraft that was first delivered to the Navy in 1980 and the B is a two seat version principally used for training. A/B production ended in 1987 when a transition was made to the C and D versions of the aircraft that are now in production. The single seat C version differs from the A through better avionics, electronic warfare capability, the ability to carry more advanced missiles and a longer range. The F/A-18E/F program is an improved version of the F/A-18C/D under development for the U.S. Navy as its next generation multi-mission aircraft.

Northrop's principal commercial program is the production of shipsets for the Boeing 747, which it has done since the program's inception in 1966. The company builds the 153 foot center fuselage section and related cargo and passenger doors, floor beams and other structural components.

Northrop's Aircraft Division is responsible for developing the AGM-137 Tri-Service Stand-Off Attack Missile (TSSAM) which is a stealthy conventional cruise missile. The program is being managed by the Air Force, and was originally intended for all three U.S. military services, before the Army's recent withdrawal. The company currently intends to produce this missile at its Perry, Georgia, facility. Many aspects of the program remain classified.

The company's Aircraft Division also produces aerial targets, principally the BQM-74/Chukar. The BQM-74 series has been in production since the 1960s. It is used by the Navy for air defense training, gunnery practice and weapon system evaluation. The company builds the airframe and the electronics that are used to guide the drone with the drone's engine being produced by Williams International.

ECM denotes electronic countermeasures equipment manufactured by the company's Electronics Systems Division (ESD) - Rolling Meadows Site. The largest program in this business area is the AN/ALQ-135, which is an internally mounted radar jammer deployed on F-15 aircraft as part of that aircraft's Tactical Electronic Warfare System. The AN/ALQ-162 "Shadowbox" is a jammer built specifically to counter continuous wave (CW) radars. The AN/ALQ-162 has been installed on F/A-18C/D and AV-8B aircraft. It is also being deployed on U.S. Army helicopters and special mission aircraft and it has been sold to the Danish Air Force for installation on Draken and F-16 fighters.

Northrop's ESD-Hawthorne Site, as the prime contractor to the U.S. Army, is developing a "brilliant" anti-armor submunition designated as BAT with production scheduled to commence in 1997. BAT is a three foot long, 44 pound, wide-area-attack submunition that would be used to disable and destroy armored vehicles and trucks. BATs are meant to be carried and dispensed by a larger missile. BATs will be ejected over an armored vehicle column or attacking formation. Each BAT has an infrared sensor that can home in on the heat generated by a vehicle's engine, and an acoustic sensor that can home in on the noise created by the tank or truck's engine.

Tables of contract acquisitions, sales, and funded order backlog by major program follow and complement industry segment data. B-2, F/A-18 and 747 are currently the major programs of the aircraft industry segment. ECM, BAT and MX Peacekeeper are included in the electronics industry segment. The company's MUVS industry segment includes TSSAM. The "all other"

category includes aerial targets and other work done by the MUVS industry segment, as well as the balance of the company's numerous other contracts, classified and unclassified.

RESULTS OF OPERATIONS BY INDUSTRY SEGMENT  
AND MAJOR CUSTOMER

Year ended December 31, \$ in millions	1993	1992	1991	1990	1989
Revenue:					
Aircraft					
United States Government	\$3,570	\$3,864	\$3,728	\$3,629	\$3,498
Other customers	543	560	553	498	508
Intersegment sales	1	1	1		2
Other income (deductions)	(4)	(6)	(4)	3	
	4,110	4,419	4,278	4,130	4,008
Electronics					
United States Government	582	677	738	760	748
Other customers	15	9	18	31	32
Intersegment sales	114	120	118	134	121
Other deductions	(8)	(1)	(13)	(2)	(4)
	703	805	861	923	897
Missiles and Unmanned Vehicle Systems					
United States Government	250	329	541	423	274
Other customers	24	23	21	32	31
Other income	1	1	1	1	
	275	353	563	456	305
Services					
United States Government	79	88	95	117	157
Intersegment sales				1	1
Other deductions		(1)			
	79	87	95	118	158
Intersegment eliminations	(115)	(121)	(119)	(135)	(124)
Total revenue	\$5,052	\$5,543	\$5,678	\$5,492	\$5,244
Operating Profit (Loss)					
Aircraft	\$ 387	\$ 357	\$ 384	\$ 262	\$ 284
Electronics	56	63	54	56	(11)
Missiles and Unmanned Vehicle Systems	(185)	(135)	33	24	(142)
Services	4	3	4	5	5
Total operating profit	262	288	475	347	136
Adjustments to reconcile operating profit to operating margin:					
Other (income) deductions included above	11	7	16	(2)	4
State and local income taxes	(18)	(12)	(30)	(14)	(6)
General corporate expenses	(84)	(103)	(107)	(97)	(107)
Corporate retiree benefit income (cost)	48	49	(2)	57	(4)
Operating margin	\$ 219	\$ 229	\$ 352	\$ 291	\$ 23

Year ended December 31, \$ in millions	1993	1992	1991	1990	1989
Contract Acquisitions					
Aircraft	\$3,764	\$3,072	\$6,297	\$5,492	\$4,739
Electronics	616	568	722	612	506
Missiles and Unmanned Vehicle Systems	352	435	450	386	608
Services	75	89	83	110	130
Total acquisitions	\$4,807	\$4,164	\$7,552	\$6,600	\$5,983
Funded Order Backlog					
Aircraft	\$5,650	\$5,999	\$7,351	\$5,335	\$3,970
Electronics	699	680	798	832	1,011
Missiles and Unmanned Vehicle Systems	527	449	366	478	547
Services	43	47	46	58	65
Total backlog	\$6,919	\$7,175	\$8,561	\$6,703	\$5,593
Identifiable Assets					
Aircraft	\$1,793	\$1,849	\$1,913	\$2,034	\$2,088
Electronics	325	360	445	479	547
Missiles and Unmanned Vehicle Systems	175	272	280	278	320
Services	25	27	25	28	38
Operating assets	2,318	2,508	2,663	2,819	2,993
General corporate	621	654	465	275	203
Total assets	\$2,939	\$3,162	\$3,128	\$3,094	\$3,196



Capital Expenditures					
Aircraft	\$ 71	\$ 46	\$ 57	\$ 62	\$ 91
Electronics	30	34	22	34	43
Missiles and Unmanned Vehicle Systems	8	7	7	20	43
Services	1	1	2	2	3
General corporate	25	35	30	3	7
Total expenditures	\$ 135	\$ 123	\$ 118	\$ 121	\$ 187
Depreciation and Amortization					
Aircraft	\$ 142	\$ 85	\$ 96	\$ 125	\$ 143
Electronics	40	39	42	47	53
Missiles and Unmanned Vehicle Systems	7	10	10	9	10
Services	1	1	3	3	3
General Corporate	24	25	20	3	11
Total depreciation and amortization	\$ 214	\$ 160	\$ 171	\$ 187	\$ 220

Individual companies prosper in the competitive aerospace/defense environment according to their ability to develop and market innovative products. They must also have the ability to provide the people, facilities, equipment and financial capacity needed to deliver those products with maximum efficiency. It is necessary to maintain, as the company has, sources for raw materials, fabricated parts, electronic components and major subassemblies. In this manufacturing and systems integration environment, effective oversight of subcontractors and suppliers is as vital to success as managing internal operations. Northrop's operating policies are designed to enhance these capabilities. The company also believes that it maintains good relations with its employees, a small number of whom are covered by collective bargaining agreements.

U.S. Government programs in which Northrop either participates, or strives to participate, must compete with other programs for consideration during our nation's budget formulation and appropriation processes. As a consequence of the end of the Cold War and pressure to reduce the federal budget deficit, the U.S. defense budget is expected to continue to decline for a number of years. Budget decisions made in this environment will have long-term consequences for the size and structure of Northrop and the entire defense industry. An important factor in determining Northrop's ability to successfully compete for future contracts will be its cost structure vis-a-vis other bidders.

Given these conditions, it is difficult to predict the amount and rate of decline in defense outlays. Although the ultimate size of future defense budgets remains uncertain, the defense needs of the nation are expected to provide a substantial research and development (R&D) and procurement business base for the company to pursue in the future.

Northrop has historically concentrated much of its efforts in such high technology areas as stealth and precision weapons. Even though a high priority has been assigned by the Department of Defense to our major programs, there remains the possibility that one or more of them may be reduced, stretched or terminated.

In the commercial aircraft market, many airlines have deferred deliveries and purchases of new aircraft because of financial difficulties. This has caused The Boeing Company to announce substantial reductions in its scheduled production of various jetliners, including the 747. As a result, Northrop's subcontract workload for the 747 has been stretched out beginning in late 1993, with deliveries declining 40 percent through mid-1994 and another 33 percent through mid-1995. Although business conditions in the commercial aircraft industry currently remain tenuous, the company is optimistic about the longer-term prospects for its commercial aircraft structures business.

In September 1992, Northrop purchased a minority interest in the parent company of Vought Aircraft Company (VAC), a manufacturer of major subsections for both commercial and military aircraft. Northrop has an option to purchase the remaining interest during a three-year period beginning in late 1995. The investment was made in line with our previously stated strategy to increase Northrop's participation in these markets over the longer term. The decision to exercise the option will be based in part on the business climate of the industry in the three-year period. VAC's cash flow has been large enough to enable it to repay all the debt

undertaken to finance the acquisition, permit the early cancellation of Northrop's loan guaranties, and pay its first cash dividend to Northrop, nearly \$2 million in 1993.

Northrop's emphasis on debt reduction, primarily through better cash management, has resulted in lowering debt by over 86 percent during the last four years, from \$1.12 billion to \$160 million. This gives Northrop the ability to pursue new business opportunities when justified by acceptable financial returns and technological risks. Northrop examines opportunities to acquire or invest in new businesses and technologies to strengthen its traditional business areas. The company also is exploring new directions for marketing and capitalizing on its technologies and skills by entering into joint ventures, partnerships or associations with companies that are world class in nontraditional fields.

Northrop, as well as many other companies in the defense industry, continues to suffer the effects of the Department of Defense's practice in the 1980s of structuring new, high-risk development contracts as fixed-price or capped cost-reimbursement type contracts. Although Northrop stopped accepting these types of contracts in 1988, it has experienced financial losses on several programs acquired under them in the past, including TSSAM. This is Northrop's last remaining development program being carried out under a fixed-price contract.

While Northrop conducts most of its business with the U.S. Government, principally the Department of Defense, commercial sales still represent a significant portion of total revenue. Prime contracts with various agencies of the U.S. Government and subcontracts with other prime contractors are subject to a profusion of procurement regulations, with noncompliance found by any one agency possibly resulting in fines, penalties, debarment or suspension from receiving additional contracts with all agencies. Given the company's dependence on government business, suspension or debarment could have a material adverse affect on the company's future. Moreover, these contracts may be terminated at the Government's convenience. In the event of termination for convenience, however, contractors are normally protected by provisions covering reimbursement for costs incurred as well as the payment of any applicable fees or profits.

Federal, state and local laws relating to the protection of the environment affect the company's manufacturing operations. The company has provided for the estimated cost to complete remediation where it is probable that the company will incur such costs in the future, including those for which it has been named a Potentially Responsible Party (PRP) by the Environmental Protection Agency or similarly designated by other environmental agencies. The company has been designated a PRP under federal Superfund laws at three hazardous waste sites (Chemtronics, Stringfellow and Operating Industries, Inc.) and under state law at four sites (Southland Oil; ESD - Precision Products Plants 2 and 7; and Lubrication Company of America). It is difficult to estimate the timing and ultimate amount of environmental cleanup costs to be incurred in the future due to the uncertainties regarding the extent of the required cleanup and the status of the law, regulations and their interpretations. Nonetheless, to assess the potential impact on the company's financial statements, management estimates the total reasonably possible remediation costs that could be incurred by the company. Such estimates take into consideration the professional judgment of the company's environmental engineers and, when necessary, consultation with outside environmental specialists. In most instances, only a range of reasonably possible costs can be estimated. The top end of the range is reflected as the total estimate of reasonably possible costs; however, in the determination of accruals the most probable amount is used when determinable and the low end of the range is used when no single amount is more probable. The company records accruals for environmental cleanup costs in the accounting period in which the company's responsibility is established and the costs can be reasonably estimated. Management estimates that at December 31, 1993, the reasonably possible range of future costs for environmental remediation, including Superfund sites, is \$14 million to \$26 million, of which \$14 million has been accrued. The amount accrued has not been offset by potential recoveries from insurance carriers or other potentially responsible parties (PRPs). Should other PRPs not pay their allocable share of remediation costs the company may have to incur costs in addition to those already estimated and accrued. In 1993 the company was awarded a

judgement of \$6.7 million against its insurance carrier with respect to costs associated with the ESD-Precision Products Plant 2 remediation. This award is currently on appeal and is not reflected in the company's 1993 financial statements. The company is making the necessary investments to comply with environmental laws; however, the amounts, while not insignificant, are not considered material to the company's financial position or results of its operations.

Measures of Volume

Contract acquisitions tend to fluctuate widely and are determined by the size and timing of new and add-on orders. The effects of multiyear orders and/or funding can be seen in the highs and lows shown in the following table.

B-2 acquisitions in 1993 include incremental funding for ongoing development work, long-lead funding for the last five remaining production aircraft, spares and other customer support for this 20 operational aircraft program. In January of 1994, \$2.4 billion of funding was awarded to complete these five aircraft by modifying, effective October 29, 1993, the previous Low Rate Initial Production (LRIP) contract. The company still stands to gain future new post-production business, such as airframe depot maintenance, repair of components, operational software changes and product improvement modifications. The debate over the future of the B-2, which is built on the nation's only extant bomber producing facility, has yet to take place. Without future production orders the nation's multi-billion dollar investment in this capability will be disassembled and largely irretrievable.

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Contract Acquisitions

\$ in millions	1993	1992	1991	1990	1989
B-2	\$2,632	\$2,235	\$4,794	\$3,749	\$3,065
F/A-18C/D	89	576	564	529	632
F/A-18E/F	743	131	10		
747	242	76	870	950	719
ECM	445	361	431	395	303
TSSAM	248	349	369	277	428
BAT	90	147	82	51	30
MX Peacekeeper	26	4	28	84	79
ATF				191	242
All other	292	285	404	374	485
	\$4,807	\$4,164	\$7,552	\$6,600	\$5,983

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In 1993, \$743 million of funding was received toward the development of the next generation F/A-18, the E/F version. This development program has an estimated value of \$1.4 billion to Northrop. No orders for new F/A-18C/D shipsets were received in 1993 from the McDonnell Douglas Corporation. In 1992, orders for 88 F/A-18C/D shipsets were received. In 1991, 70 F/A-18C/D shipsets were ordered, compared with 84 in each of the years 1990 and 1989.

The Boeing Company ordered one hundred 747 shipsets in each of the years 1989 through 1991. In 1993, additional contract value was received for, among other things, extending the delivery schedule of those shipsets into 1996.

Year-to-year sales vary less than contract acquisitions and reflect performance under new and ongoing contracts. Sales for 1994 currently are expected to be about \$4.4 billion.

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Net Sales

\$ in millions	1993	1992	1991	1990	1989
B-2	\$2,881	\$3,212	\$3,100	\$2,744	\$2,554
F/A-18C/D	362	492	562	597	629
F/A-18E/F	279	118	10		
747	531	549	540	483	461
ECM	372	378	415	425	341
TSSAM	179	265	390	343	219
BAT	100	135	71	55	22
MX Peacekeeper	31	46	90	153	239

ATF				191	242
All other	328	355	516	499	541
	\$5,063	\$5,550	\$5,694	\$5,490	\$5,248

The increasing trend of B-2 sales, begun in 1990 was reversed in 1993, one year earlier than forecasted a year ago. A decrease in revenues from engineering and manufacturing development (EMD) work exceeded the decrease in revenues for production work. The level of EMD effort, included in amounts reported as customer-sponsored R&D, constituted 28 percent of the total B-2 revenue, down from 34 percent in 1992. Current planning data indicate that the level of overall B-2 revenue will decline roughly 20 percent per year for the remainder of the decade.

Sales under the F/A-18C/D program declined in 1993 with the delivery of 52 shipsets. In 1992, the company delivered 75 shipsets, compared with 80 in 1991, 94 in 1990, and 101 in 1989. In 1994 and 1995, the company plans to deliver 42 and 60 F/A-18C/D shipsets respectively. F/A-18E/F revenue is expected to exceed \$400 million in 1994.

Deliveries of 747 center fuselages were 54 in 1993, 60 in 1992, 62 in 1991, 56 in 1990, and 54 in 1989. Thirty-one fuselages are expected to be delivered in 1994 and 26 in 1995.

Sales reversals were recorded on the TSSAM contract amounting to \$128 million in 1993, \$80 million in 1992 and \$120 million in 1989. These reversals followed reductions in the estimate of the percentage of work completed to date on the contract. In addition, 1991 MUVS segment sales included the final revenue earned from the conclusion that year of the Tacit Rainbow missile program.

Electronics segment revenues declined 13 percent in 1993 with half the decline coming from two programs -- lower BAT development revenue and lower MX Peacekeeper sales. The final seven Peacekeeper IMUs were delivered in 1991 versus 16 in 1990, and 28 in 1989. Ongoing system support work will generate a modest amount of future revenue. The second largest cause of reduced electronics segment revenues in 1993 stemmed from lower sales in the sensor product area while in both 1993 and 1992 fewer deliveries of missile components by the ESD-Precision Products operation were made versus the respective previous year. Overall Electronics sales are expected to decline only slightly for 1994.

The year-end funded order backlog is the sum of the previous year-end backlog plus the year's contract acquisitions minus the year's sales. Backlog is converted into the following years' sales as deliveries are made under contract terms. It is expected that approximately 60 percent of the 1993 year-end backlog will be converted into sales in 1994.

Funded Order Backlog					
\$ in millions	1993	1992	1991	1990	1989
B-2	\$3,921	\$4,170	\$5,147	\$3,453	\$2,448
F/A-18C/D	443	716	632	630	698
F/A-18E/F	477	13			
747	723	1,012	1,485	1,155	688
ECM	540	467	484	468	498
TSSAM	367	298	214	235	301
BAT	20	30	18	7	11
MX Peacekeeper	17	22	64	126	195
All other	411	447	517	629	754
	\$6,919	\$7,175	\$8,561	\$6,703	\$5,593

Total U.S. Government orders, including those made on behalf of foreign governments (FMS), comprised 89 percent of the backlog at the end of 1993 compared with 85 percent at the end of 1992, 82 percent at the end of both 1991 and 1990, and 87 percent at the end of 1989. Total foreign customer orders, including FMS, accounted for 3 percent of the backlog at the end of 1993 compared with 2 percent in 1992, 3 percent in 1991, 4 percent in 1990, and 3 percent in 1989. Domestic commercial business remaining in backlog at the end of 1993 was 11 percent, 14 percent at the end of 1992, 17 percent for both 1991 and 1990, and 12 percent at the end of 1989.

Measures of Performance

Loss provisions made during 1993 on the TSSAM development contract

aggregated \$201 million, and followed similar provisions of \$152 million made in the third quarter of 1992 and \$150 million in the second quarter of 1989. The expected loss from the performance of this classified long-term fixed-price R&D contract caused major losses in the MUVS segment during four of the last six years. Most of these provisions resulted from additional costs necessary to comply with contractual requirements. Other recent factors included the U. S. Army's January 1994 stop work order preparatory to the deletion of its variant of TSSAM along with the Government's indication that it has further delayed a production decision on other variants until June 1994. Production delays cause increased amounts of sustaining labor to be absorbed by the development phase of the program.

Anticipated total production quantities are approaching one-half of those originally contemplated. This could result in an increased production cost per unit. The company faces the challenge of successfully completing, by the end of 1997, the development phase of the program in which it has invested over \$600 million. Given the pressure to shrink the defense budget, the Government may have to consider whether it should complete the current TSSAM program as planned, modify it, or terminate it for its convenience and reallocate available funds to other activities. The company plans to recover the \$144 million investment in plant and equipment that it made for the production phase of the program through its successful execution. Should the Government decide not to produce the missile, the company will seek to recoup its investment from the government. Because of the nature of the TSSAM long-term fixed-price development contract, additional losses are possible. The ultimate loss on this contract will depend not only upon the accuracy of the company's cost projections, but also the eventual outcome of an equitable settlement of outstanding contractual issues with the U.S. Government, including a \$154 million claim filed in November 1993.

The company's traditional line of aerial targets was profitable in each of the last five years. The overall increase in MUVS operating profit in 1991 versus 1990 resulted from the completion of the Tacit Rainbow missile program at less cost than had previously been estimated.

The company has improved the margin rate of each of its two largest and most mature industry segments -- Aircraft and Electronics. These improvements have been partially offset by the poor performance of the MUVS segment. Company-wide efforts to improve and streamline the management of the business continue. Tighter business controls, cost reduction, cash management and effective asset utilization are all aimed at contributing to two important long standing financial goals; achieving a 20 percent return on equity and repaying debt, if we so choose, by the mid-1990s. This financial report demonstrates the degree to which the accomplishment of these goals is being achieved.

Operating profit in the aircraft industry segment increased to its highest level ever in 1993 as margin rates improved on all major aircraft programs - B-2, F/A-18 and 747. The F/A-18 and 747 improvements came despite reduced shipset deliveries in 1993. The primary cause of aircraft segment operating profit being higher in 1991 than 1992 was the one percentage point increase in the B-2 LRIP contract margin rate made during the fourth quarter of 1991 on sales recorded prior to that date (\$40 million of margin). This 1991 margin rate adjustment followed definitization of the LRIP contract late in the year and took into account the company's production and assembly experience as of that date. Setting aside the \$40 million adjustment, the B-2 program provided an increasing amount of operating margin in each of the last three years as the mix of sales continue its shift from relatively low-margin R&D work to production work. Following the recent award of the last increment of production funding for the B-2 the company will record future operating margin increases on all production aircraft as these units are delivered and accepted by the customer. At the time each unit is delivered an assessment will be made of the status of the production contract so as to estimate the amount of any probable additional margin available beyond that previously recognized. That unit's proportionate share of any such unrecognized remaining balance will then be recorded. In this fashion it is believed that margin improvements will be recognized on a more demonstrable basis, much like in the case of incentive or award fees. The current 15 production units are scheduled for their initial delivery over a five year

period, which began in December 1993. All but two units (four equivalent units for this purpose) will be returned for scheduled retrofitting with final deliveries beginning in 1997 and ending in 2000. It is anticipated that the total of 30 equivalent units will be delivered at a rate of from three to five per year over the next seven years.

Affecting the comparison of 1992 aircraft operating profit with that of 1991 were the slightly lower rates of margin earned on fewer F/A-18C/D and 747 shipset deliveries. In addition, a low rate of margin was recorded in 1992 on the F/A-18E/F as this program is in its early phase of development.

Partially offsetting the B-2 margin improvement for 1991 was the lower rate of margin earned on the reduced number of F/A-18 shipsets delivered during 1991. A slightly lower rate of margin was earned on higher 747 shipset deliveries generating an overall increase in the amount of 747 margin. Affecting comparisons of 1991 aircraft segment operating profit with those of the previous two years are the amounts invested and written off on the ATF program - \$66 million during 1990, compared with \$73 million in 1989. With the completion of the DEM/VAL phase of ATF in 1990 the company discontinued making any material amount of expenditures for company-sponsored R&D.

The 13 percent sales decline in the electronics segment for 1993 was accompanied by an 11 percent decline in operating profit. An increase in ECM operating margin and the benefit of a \$5 million reduced loss at ESD's Precision Products operation offset lower margins in the sensor product area and on the BAT program.

The amount and rate of operating profit earned by the electronics segment increased during 1992 despite the loss incurred by ESD Precision Products. ESD Precision Product's operating loss declined \$7 million from that of 1991. In 1992 Precision Products suffered from the effects of a 24 percent sales decline coupled with a \$6 million write-off of unrecoverable inventoried costs. Also influencing the trend in the electronics segment operating profit has been the replacement of high-margin Peacekeeper production revenue by low-margin BAT development revenue.

While the rate of operating profit for 1991 improved slightly for the electronics segment, the amount of profit declined \$2 million. The rate increase was largely achieved by the ECM area where improved margins accompanied higher sales of the successful AN/ALQ-135 system developed for the F-15 fighter aircraft. Offsetting this increase was the cost of settling various legal and product disputes, principally for ESD Precision Products. Of the aggregate of \$31 million in provisions made during 1991 for these issues, \$12 million is reported in Other Deductions in the Consolidated Statements of Operations.

Operating margin in 1993 included \$71 million of pension income compared with \$83 million in 1992, and \$23 million in 1991. Nearly offsetting the 1993 reduction in pension income was 1993's decline in the cost of providing retiree health care and life insurance benefits - \$32 million in 1993 versus \$41 million in 1992, and \$47 million in 1991. For calculating the liability balances for these plans at December 31, 1993 the company reduced the discount rate used from 8 to 7 percent and changed its employee turnover assumptions. The net affect of this served to increase year-end liability balances for all plans by \$402 million. Also, for 1994, these changes will cause a \$27 million reduction in pension income and an \$8 million increase in retiree health care and life insurance benefit costs from what they otherwise would be.

The Financial Accounting Standards Board's (FASB) accounting standard No. 106 - Employers' Accounting for Postretirement Benefits Other than Pensions - was adopted by the company in 1991. The liability representing previously unrecognized costs of \$145 million for all years prior to 1991 was recorded as of January 1, 1991, with an after-tax effect on earnings of \$88 million or \$1.86 per share. The company's adoption in 1992 of the new FASB accounting standard No. 112 - Employers' Accounting for Postemployment Benefits - had no material effect on the company's financial position or operating results.

Interest expense declined in each of the last four years - \$9 million in 1993, \$33 million in 1992, \$15 million in 1991, and \$29 million in 1990, with nearly all of these reductions stemming from four years of debt reduction which totaled \$960 million, or 86 percent.

In 1991 the company adopted the FASB standard No. 109 - Accounting for Income Taxes - and recorded, as of January 1, 1991, a benefit of \$21

million, or 43 cents per share. As described in the accounting policy footnote to the financial statements, any future change in the tax rate would result in the immediate recognition in current earnings of the cumulative effect from deferred tax assets and liabilities.

The company's effective federal income tax rate was 43.5 percent in 1993, 32.8 percent in 1992, and 3.2 percent in 1991. The rate for 1993 would have been 31.8 percent but for the effects of the retroactive application of The Revenue Reconciliation Act of 1993. The one percentage point increase in the federal statutory income tax rate, now 35 percent, required the redetermination of December 31, 1992 deferred tax asset and liability balances. This redetermination added \$18 million to 1993's tax provision thereby reducing earnings per share by 38 cents. During 1989 final regulations were issued concerning the research tax credit. The company took a conservative approach in calculating its tax provisions since 1981 pursuant to uncertain proposed regulations. An exhaustive study was undertaken throughout the company to redetermine qualifying expenditures in compliance with final regulations so as to recalculate prior years' tax credits and amend its tax returns as appropriate. The benefit resulting from the conclusion of that study was the \$90 million in additional research credits recognized in the determination of the 1991 effective tax rate of 3.2 percent.

#### Measures of Liquidity and Capital Resources

The evolution of the company's financial condition and liquidity, which began in 1990, continued to improve in 1993. Over these last four years operating cash flows have averaged \$385 million annually. While cash flow from operations increased \$96 million in 1993 over that of 1992, it declined \$325 million in 1992 from that of 1991. Much of the increase in 1991's cash flow from operations resulted from the company finalizing the B-2 LRIP contract, after it was about 50 percent complete, as well as follow-on contracts for 747 and F/A-18 work. To a great extent the pace of delivery of B-2 production aircraft and the satisfactory completion of program milestones will dictate the future level of any required capital resources. Provisions for contract losses are one of the important elements shown in illustrating the difference between Net Income(Loss) and cash flows from operating activities shown in the Reconciliation section of the Consolidated Statements of Cash Flows. Cash outflow resulting from accrued forward loss provisions on fixed-price R&D contracts follows in succeeding periods, when the costs that they represent are incurred. Most of the \$664 million in loss provisions made in the MUVS segment over the last six years was necessitated by the TSSAM program. As of December 31, 1993 all but \$140 million of those loss provisions represent costs already incurred.

The trend and relationship of sales volume with accounts receivable and inventoried cost balances, before and after the benefit of progress payments, is a useful measure in assessing liquidity. In 1987 the company's net investment in these balances represented 25 percent of sales. It had subsequently grown to 32 percent at year-end 1989, when Northrop's debt peaked, before dropping to 27 percent at the end of 1993. The largest recent reduction in gross accounts receivable and inventoried cost balances occurred in 1991 as the result of the final billing and collection of ATF contract balances, along with the completion of a number of B-2 contract milestones during the year. A reduction in the rate used by the Government to make progress payments to its customers applies to new contracts entered into after legislation was enacted in 1993. Therefore, it is not expected to have a demonstrable effect on the company's level of working capital in the near term.

The following table is a condensed summary of the detailed cash flow information contained in the Consolidated Statements of Cash Flows.

Year ended December 31	1993	1992	1991	1990	1989
Cash came from					
Customers	99%	98%	100%	85%	86%
Lenders	1%	2%		11%	13%
Buyers of assets				4%	1%
	100%	100%	100%	100%	100%

Cash went to					
Employees and suppliers of					
services and materials	89%	93%	88%	81%	83%
Lenders	8%	3%	9%	16%	13%
Suppliers of facilities	2%	2%	2%	2%	3%
Sellers of assets		1%			
Shareholders	1%	1%	1%	1%	1%
	100%	100%	100%	100%	100%

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The above percentages of gross cash receipts and disbursements portray the extent to which lenders supplemented customer financing until 1990 when it became possible to repay that support through improved collections from customers. Some other important indicators of short-term liquidity are the trend in working capital, the current ratio and the ratio of long-term debt to shareholders' equity. This information is reported in the table captioned Selected Financial Data.

Total debt peaked at \$1.3 billion in mid-1989. In February of 1990 the company sold its headquarters complex in Los Angeles and applied the net proceeds of \$218 million toward reducing its short-term debt. In October 1990 the company reduced its former \$750 million credit agreement to \$400 million and converted that amount of short-term debt into long-term debt that was repayable in 20 quarterly installments of \$20 million. The company at its option elected to prepay larger amounts. Cash flow from operations during 1992 was sufficient to enable the company to pay the four required installments totaling \$80 million in converted credit agreement debt as well as to prepay another \$60 million of this debt. In February of 1993 the last two installments totaling \$40 million were prepaid and in November \$210 million of private placement debt was paid. During three months of 1993 it was necessary to supplement cash provided by operations with short-term borrowings. These borrowings peaked at \$232 million and none was outstanding at 1993's year end. They were necessitated by intermittent spikes in working capital needs on the B-2 and TSSAM programs. Future near-term borrowing needs will be met through the use of short-term credit lines and the company's \$400 million revolving credit agreement, which was renewed with comparable terms for four more years in January 1994.

To provide for long-term liquidity the company believes it could obtain additional capital from such sources as: the public or private capital markets, the further sale of assets, sale and leaseback of operating assets and leasing rather than purchasing new assets. The company's final amount of indebtedness, \$160 million of private placement debt, is due to be paid in November 1995.

The cash improvement program underway throughout the company since early 1989 has produced favorable results, with the expectation that further efforts will result in minimizing, if not eliminating, the need to make short-term borrowings during 1994. Cash generated from operations is expected to be more than sufficient in 1994 to finance capital expansion projects and continue paying dividends to the shareholders. Noncontract R&D expenditures are expected to approximate \$100 million in 1994 compared with \$97 million in 1993.

Capital expenditure commitments at December 31, 1993, were approximately \$115 million including \$9 million for environmental control and compliance purposes. The 1994 forecast of capital expenditures is \$100 million.

The company will continue to provide the productive capacity to perform its existing contracts, dispose of assets no longer needed to fulfill operational requirements, prepare for future contracts and conduct R&D in the pursuit of developing opportunities. While these expenditures tend to limit short-term liquidity and profitability, they are made with the intention of improving the long-term growth and profitability of the company.

Based on recent cash flow improvements, anticipated future positive cash flows, and unused and available capital resources, management believes that it is in a strong position to pursue its strategic options - acquiring one or more other businesses, raising cash dividends, repurchasing outstanding common shares, or making other investments, to maximize the long-term return to our shareholders.



Item 8. Financial Statements and Supplementary Data

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, \$ in millions	1993	1992	1991	1990	1989
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	\$ 100	\$ 230	\$ 203	\$ 173	\$ 5
Accounts receivable	820	791	860	844	1,019
Inventoried costs	569	670	693	721	683
Deferred state income taxes	46	38	28		
Prepaid expenses	25	31	23	47	40
Total current assets	1,560	1,760	1,807	1,785	1,747
<b>Property, plant and equipment at cost</b>					
Land and land improvements	118	117	117	106	114
Buildings	744	719	703	715	820
Machinery and other equipment	1,898	1,982	1,990	1,926	1,928
Leasehold improvements	29	59	65	63	62
	2,789	2,877	2,875	2,810	2,924
Accumulated depreciation and amortization	(1,773)	(1,753)	(1,698)	(1,571)	(1,484)
	1,016	1,124	1,177	1,239	1,440
<b>Other assets</b>					
Prepaid pension cost and intangible pension asset	278	190	98	65	4
Investments in and advances to affiliates and sundry assets	78	81	34	5	5
Deferred state income taxes	7	7	12		
	363	278	144	70	9
	\$ 2,939	\$ 3,162	\$ 3,128	\$ 3,094	\$ 3,196
December 31, \$ in millions	1993	1992	1991	1990	1989
<b>Liabilities and Shareholders' Equity:</b>					
<b>Current liabilities</b>					
Notes payable to banks	\$	\$ 100	\$	\$	\$ 570
<b>Current portion of long-term debt</b>					
Trade accounts payable	324	363	407	330	511
Accrued employees' compensation	146	144	157	143	141
Income taxes payable	12		25	12	6
Deferred income taxes	426	389	353	336	248
Other current liabilities	171	160	174	134	180
Total current liabilities	1,079	1,406	1,196	1,215	1,656
<b>Long-term debt</b>					
Accrued retiree benefits	160	160	470	690	550
Deferred gain on sale/leaseback	308	266	218	37	33
Deferred income taxes	23	26	29	32	
	47	50	33	87	82
<b>Shareholders' equity</b>					
<b>Paid-in capital</b>					
Preferred stock, 10,000,000 shares authorized and none issued					
Common stock, 200,000,000 shares authorized; issued and outstanding					
1993 -- 48,913,403; 1992 -- 47,398,303;					
1991 -- 47,090,248; 1990 -- 46,937,671;					
1989 -- 46,930,941	256	207	199	196	196
Retained earnings	1,070	1,051	987	843	689
Unvested employee restricted award shares	(2)	(2)	(4)	(6)	(10)
Unfunded pension losses, net of taxes	(2)	(2)			
	1,322	1,254	1,182	1,033	875
	\$ 2,939	\$ 3,162	\$ 3,128	\$ 3,094	\$ 3,196

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

December 31, \$ in millions, except per share	1993	1992	1991	1990	1989
Net sales	\$5,063	\$5,550	\$5,694	\$5,490	\$5,248
Cost of sales					
Operating costs	4,359	4,866	4,811	4,748	4,692
Administrative and general expenses	485	455	531	451	533
Operating margin	219	229	352	291	23
Other income (deductions)					
Gain (loss) on disposals of property, plant and equipment	(26)	(11)	(6)	103	(9)
Interest income	2	4	11	3	2
Other, net	13	5		10	(4)
Interest expense	(38)	(47)	(80)	(95)	(124)
Income (loss) before income taxes and cumulative effect of accounting principle changes	170	180	277	312	(112)
Federal and foreign income taxes (benefit)	74	59	9	102	(31)
Income (loss) before cumulative effect of accounting principle changes	96	121	268	210	(81)
Cumulative effect on prior years of changes in accounting principles for					
Income taxes			21		
Retiree health care and life insurance benefits			(88)		
Net income (loss)	\$ 96	\$ 121	\$ 201	\$ 210	\$ (81)
Weighted average common shares outstanding, in millions	48.1	47.2	47.1	47.0	47.0
Earnings (loss) per share before cumulative effect of accounting principle changes	\$ 1.99	\$ 2.56	\$ 5.69	\$ 4.48	\$ (1.71)
Cumulative effect on prior years of changes in accounting principles, per share, for					
Income taxes			.43		
Retiree health care and life insurance benefits			(1.86)		
Earnings (loss) per share	\$ 1.99	\$ 2.56	\$ 4.26	\$ 4.48	\$ (1.71)

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Year ended December 31, \$ in millions, except per share	1993	1992	1991	1990	1989
Paid-in Capital					
At beginning of year	\$ 207	\$ 199	\$ 196	\$ 196	\$ 195
Employee stock awards and options exercised, net of forfeitures	49	8	3		1
At end of year	256	207	199	196	196
Retained Earnings					
At beginning of year	1,051	987	843	689	826
Net income (loss)	96	121	201	210	(81)
Cash dividends	(77)	(57)	(57)	(56)	(56)
At end of year	1,070	1,051	987	843	689
Unvested Employee Restricted Award Shares					
At beginning of year	(2)	(4)	(6)	(10)	(17)
Forfeitures, net of grants		1		3	2
Amortization		1	2	1	5
At end of year	(2)	(2)	(4)	(6)	(10)
Unfunded Pension Losses, Net of Taxes					
At beginning of year	(2)				
Excess of additional minimum liability over unrecognized prior service costs		(2)			
At end of year	(2)	(2)			
Total shareholders' equity	\$1,322	\$1,254	\$1,182	\$1,033	\$ 875
Book value per share	\$27.04	\$26.46	\$25.11	\$22.00	\$18.65
Cash dividends per share	1.60	1.20	1.20	1.20	1.20

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended December 31, \$ in millions	1993	1992	1991	1990	1989
<b>Operating Activities</b>					
Sources of Cash					
Cash received from customers					
Progress payments	\$ 2,028	\$ 2,647	\$ 2,647	\$ 2,618	\$ 2,324
Other collections	2,924	2,914	3,050	2,977	2,830
Interest received	2	4	11	2	3
Income tax refunds received	3		3	1	
Shareholder litigation settlement			9		
Other cash receipts	6	5	4	17	19
Cash provided by operating activities	4,963	5,570	5,724	5,615	5,176
Uses of Cash					
Cash paid to suppliers and employees	4,484	5,186	4,986	5,220	4,967
Interest paid	42	47	85	97	122
Fines from settled litigation			10	17	
Income taxes paid	52	48	32	14	8
Other cash payments	5	5	2	1	1
Cash used in operating activities	4,583	5,286	5,115	5,349	5,098
Net cash provided by operating activities	380	284	609	266	78
<b>Investing Activities</b>					
Additions to property, plant and equipment	(134)	(123)	(118)	(121)	(187)
Proceeds from sale of property, plant and equipment	2	5	3	252	14
Proceeds from sale of affiliates	8				1
Proceeds from sale of direct financing leases					22
Investments in affiliates, net of dividends	2	(47)			
Other investing activities	(1)		(8)	(3)	5
Net cash provided by (used in) investing activities	(123)	(165)	(123)	128	(145)
<b>Financing Activities</b>					
Borrowings under lines of credit	55	100		750	783
Repayment of borrowings under lines of credit	(155)			(920)	(659)
Principal payments of long-term debt/capital leases	(251)	(140)	(400)		
Proceeds from issuance of stock	41	5	1		
Dividends paid	(77)	(57)	(57)	(56)	(56)
Net cash provided by (used in) financing activities	(387)	(92)	(456)	(226)	68
Increase(decrease) in cash and cash equivalents	(130)	27	30	168	1
Cash and cash equivalents balance at beginning of year	230	203	173	5	4
Cash and cash equivalents balance at end of year	\$ 100	\$ 230	\$ 203	\$ 173	\$ 5

Year ended December 31, \$ in millions	1993	1992	1991	1990	1989
<b>Reconciliation of Net Income(Loss) to Net Cash Provided by Operating Activities:</b>					
Net income(loss)	\$ 96	\$ 121	\$ 201	\$ 210	\$ (81)
Adjustments to reconcile net income(loss) to net cash provided					
Depreciation and amortization	214	160	171	187	220
Common stock issued to employees	3	3	4	4	5
Amortization of restricted award shares		1	2	1	5
Loss(gain) on disposals of property, plant and equipment	26	11	6	(103)	9
Cumulative effect on prior years of changes in accounting principles for income taxes			(21)		
Retiree health care and life insurance benefits			88		
Non-cash retiree pension cost(income)	(40)	(43)	14	(53)	7
Amortization of deferred gain on sale/leaseback	(3)	(3)	(3)	(2)	
Loss(gain) on sale of affiliates	(4)				7
Gain on sale of direct financing leases					(13)
Decrease(increase) in					
Accounts receivable	(4)	339	1,058	(1,085)	(1,209)
Inventoried costs	142	63	123	50	(86)
Prepaid expenses	(10)	(17)	(8)		(4)
Refundable income taxes				8	1
Increase(decrease) in					
Progress payments	(90)	(340)	(1,054)	1,204	1,138
Accounts payable and accruals	(28)	(43)	116	(211)	54

Provisions for contract losses	36	9	(100)	(41)	60
Deferred income taxes	26	48		93	(34)
Income taxes payable	12	(25)	13	6	1
Other non-cash transactions	4		(1)	(2)	(2)
Net cash provided by operating activities	\$ 380	\$ 284	\$ 609	\$ 266	\$ 78

The accompanying notes are an integral part of these financial statements.

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

##### Summary of Significant Accounting Policies Principles of Consolidation

The consolidated financial statements include the accounts of the corporation and its subsidiaries. All material intercompany accounts, transactions and profits are eliminated in consolidation. The investment in the parent company of Vought Aircraft Company (VAC) is accounted for by the cost method because it is a nonvoting minority interest. As there is no trading in the shares of VAC, it is not practical to estimate its fair value. Management does believe that its fair value approximates its carrying amount of \$45 million.

##### Industry Segment and Major Customer Data

Descriptions of the company's principal products and services can be found in the Management's Discussion and Analysis section of this report. Intersegment sales are transacted at actual cost incurred with no profit added. Operating profit is defined to include the Other Income earned by each industry segment, but exclude costs allocated to them for general corporate expenses and state and local income taxes. The amount of the difference between (1) the costs of retiree benefit plans (pension and nonpension) allocable to contracts as determined by government cost accounting standards, and (2) cost(income) as calculated in conformity with financial accounting standards is captioned Corporate Retiree Benefit Income(Cost) and is shown separately from general corporate expenses so as not to distort operating profit as reported by industry segment. General corporate assets include cash and cash equivalents, the company's centralized data processing assets, corporate office furnishings and equipment, other unallocable property, investments in affiliates, prepaid pension cost and intangible pension asset.

Sales to the company's major customer, the U.S. Government (including foreign military sales), are reported within each industry segment and in total in Selected Financial Data. The company does not conduct a significant volume of activity through foreign operations or in foreign currencies.

##### Sales

Sales under cost-reimbursement, service, research and development, and construction-type contracts are recorded as costs are incurred and include estimated earned fees or profits calculated on the basis of the relationship between costs incurred and total estimated costs (cost-to-cost type of percentage-of-completion method of accounting). Construction-type contracts embrace those fixed-price contracts that provide for the delivery of a small number of units after a lengthy period of time over which a significant amount of costs have been incurred. Sales under other types of contracts are recorded as deliveries are made and are computed on the basis of the estimated final average unit cost plus profit (units-of-delivery type of percentage-of-completion method of accounting).

Certain contracts contain provisions for price redetermination or for cost or performance incentives. Such redetermined amounts or incentives are included in sales when the amounts can reasonably be determined. In the case of the B-2 bomber production contract any future increases in operating margin will be recognized on a units-of-delivery basis and recorded as each equivalent production unit is delivered. Amounts representing contract change orders, claims or limitations in funding are included in sales only when they can be reliably estimated and realization is probable. In the period in which it is determined that a loss will result from the performance of a contract, the entire amount of the

estimated ultimate loss is charged against income. Loss provisions are first offset against costs that are included in assets, with any remaining amount reflected in Other Current Liabilities. Other changes in estimates of sales, costs, and profits are recognized using the cumulative catch-up method of accounting. This method recognizes in the current period the cumulative effect of the changes on current and prior periods. Hence, the effect of the changes on future periods of contract performance is recognized as if the revised estimates had been the original estimates.

#### Contract Research and Development

Customer-sponsored research and development costs (direct and indirect costs incurred pursuant to contractual arrangements) are accounted for like other contract costs.

#### Noncontract Research and Development

This category includes independent research and development costs (indirect costs allocable to U.S. Government contracts) and company-sponsored research and development costs (direct and indirect costs not recoverable under contractual arrangements). Independent research and development (IR&D) costs are included in administrative and general expenses while company-sponsored research and development costs are charged against income as incurred.

#### Environmental Costs

Environmental liabilities are accrued when the company determines its responsibility for cleanup costs and such amounts are reasonably estimable. When only a range of amounts is established and no amount within the range is better than another the minimum amount in the range is recorded. The company does not anticipate and record insurance recoveries before collection is probable.

#### Income Taxes

Provisions (Benefits) for federal, state and local income taxes are calculated on reported financial statement pretax income (loss) based on current tax law and also include, in the current period, the cumulative effect of any changes in tax rates from those used previously in determining deferred tax assets and liabilities. Such provisions (benefits) differ from the amounts currently payable because certain items of income and expense are recognized in different time periods for financial reporting purposes than for income tax purposes.

The company reports certain contracts using different methods of tax accounting for contracts in process and thus provides deferred taxes on the difference between the financial and taxable income reported during the performance of such contracts.

State and local income and franchise tax provisions are included in administrative and general expenses.

#### Earnings (Loss) per Share

Earnings (Loss) per Share are based on the weighted average number of shares of common stock outstanding during each period, after giving recognition to stock splits and stock dividends. The dilutive effect of common stock equivalents, shares under stock options, was insignificant.

#### Cash and Cash Equivalents

Included are interest-earning liquid debt instruments that mature in three months or less from the date purchased. Amounts reported in the Consolidated Statements of Financial Position approximate their fair value.

#### Accounts Receivable

Included are amounts billed and currently due from customers under all types of contracts, amounts currently due but unbilled (primarily related to contracts accounted for under the cost-to-cost type of percentage-of-completion method of accounting), certain estimated contract changes, claims in negotiation and amounts retained pending contract completion.

#### Inventoried Costs

Inventoried costs primarily relate to work in process under fixed-price

type contracts (excluding those included in unbilled accounts receivable as previously described). They represent accumulated contract costs less the portion of such costs allocated to delivered items. Accumulated contract costs include direct production costs, factory and engineering overhead, production tooling costs, and allowable administrative and general expenses (except for general corporate expenses and IR&D allocable to commercial contracts, which are charged against income as incurred).

In accordance with industry practice, inventoried costs are classified as a current asset and include amounts related to contracts having production cycles longer than one year.

#### Depreciable Properties

Property, plant and equipment owned by the company are depreciated over the estimated useful lives of individual assets. Capital leases providing for the transfer of ownership upon their expiration or containing bargain purchase options are amortized over the estimated useful lives of individual assets. Most of these assets are depreciated using declining-balance methods, with the remainder using the straight-line method.

#### Accounts Receivable

Unbilled amounts represent sales for which billings have not been presented to customers at year-end, including differences between actual and estimated overhead and margin rates. These amounts are usually billed and collected within one year, progress payments are however received on a number of fixed-price contracts accounted for using the cost-to-cost type of percentage-of-completion method.

Amounts due upon contract completion are retained by customers until work is completed and customer acceptance is obtained.

Accounts receivable at December 31, 1993, are expected to be collected in 1994 except for approximately \$3 million due in 1995 and \$4 million due in 1996 and later. These amounts principally relate to long-term contracts with the U.S. Government.

Allowances for doubtful amounts represent mainly estimates of overhead type costs which may not be successfully negotiated and collected.

Contract loss provisions are reflected as an offset to accounts receivable to the extent related costs are contained therein.

Accounts receivable were composed of the following:

\$ in millions	1993	1992	1991	1990	1989
Due from U.S. Government, long-term contracts:					
Current accounts					
Billed	\$ 65	\$ 82	\$ 70	\$ 65	\$ 88
Unbilled	3,050	3,100	3,518	4,467	3,311
Progress payments received	(2,410)	(2,467)	(2,777)	(3,757)	(2,503)
Net current accounts	705	715	811	775	896
Due upon availability of funds					69
Due upon contract completion	14	19	4	10	13
	719	734	815	785	978
Due from other customers, long-term contracts:					
Current accounts					
Billed	66	31	37	39	33
Unbilled	43	48	15	58	28
Due upon contract completion					1
	109	79	52	97	62
Total due, long-term contracts	828	813	867	882	1,040
Trade and other accounts receivable:					
Due from U.S. Government	36	28	38	33	46
Due from other customers	13	7	7	11	6
Total due, trade and other	49	35	45	44	52
Allowances for doubtful amounts	877 (57)	848 (57)	912 (52)	926 (82)	1,092 (73)

\$ 820      \$ 791      \$ 860      \$ 844      \$ 1,019

Inventoried Costs

Inventoried costs were composed of the following:

\$ in millions	1993	1992	1991	1990	1989
Production costs of contracts in process	\$ 800	\$ 920	\$ 976	\$1,050	\$1,055
Administrative and general expenses	95	109	106	134	141
	895	1,029	1,082	1,184	1,196
Progress payments received	(326)	(359)	(389)	(463)	(513)
	\$ 569	\$ 670	\$ 693	\$ 721	\$ 683

Inventoried costs relate to long-term contracts in process and include expenditures for raw materials and work in process beyond what is required for recorded orders. These expenditures are incurred to help maintain stable and efficient production schedules. However, no material amount representing claims, learning curve, unamortized tooling or other deferred costs is included in inventoried costs.

The ratio of inventoried administrative and general expenses to total inventoried costs is assumed to be the same as the ratio of total administrative and general expenses to total contract costs.

According to the provisions of U.S. Government contracts, the customer has title to, or a security interest in, substantially all inventories related to such contracts.

Notes Payable to Banks

The company has available short-term credit lines in the form of money market facilities with several banks. The amount of and conditions for borrowing under these credit lines depend on the availability and terms prevailing in the marketplace. No fees or compensating balances are required for these credit facilities. The average outstanding balance for days on which borrowings were made during 1993 was \$80 million, at a weighted average interest rate of 3.4 percent. The maximum amount outstanding during the year occurred on December 24, 1993 - \$232 million at a weighted average interest rate of 3.4 percent. At December 31, 1993, there were no outstanding money market loans.

In addition, the company maintained a credit agreement with a group of domestic and foreign banks which made available \$400 million on a revolving credit basis. This agreement was renewed on January 7, 1994, at the same dollar amount, for a period of four years. For 1993, the maximum amount outstanding was also the average outstanding balance for days on which borrowings were made -- \$100 million at a weighted average interest rate of 3.7 percent. At December 31, 1993 there were no loans outstanding under the credit agreement. In 1993, the company paid quarterly a commitment fee of one-tenth percent per annum on the unused amounts and a facility fee of one-fifteenth percent per annum on the total amount of the revolving credit facility. Under both agreements, in the event of a "change in control," the banks are relieved of their commitments. Compensating balances are not required under these agreements.

The company's credit agreements contain restrictions relating to the payment of dividends, acquisition of the company's stock, aggregate indebtedness for borrowed money and the maintenance of shareholders' equity. At December 31, 1993, \$295 million of retained earnings were unrestricted as to the payment of dividends. Total indebtedness for all types of borrowed money is limited to 150 percent of shareholders' equity, as defined. At December 31, 1993, indebtedness was limited to \$1,969 million.

Income Taxes

Income tax expense (benefit), both federal and foreign (which arises primarily from work performed abroad by domestic operations), was composed of the following:

\$ in millions	1993	1992	1991	1990	1989
Currently payable:					
Federal income taxes	\$ 41	\$ 7	\$ 11	\$ 9	\$ 3
Foreign income taxes	1	1			1
	42	8	11	9	4
Change in deferred federal income taxes	32	51	(2)	93	(35)
	\$ 74	\$ 59	\$ 9	\$ 102	\$ (31)

Income tax expense(benefit) differs from the amount computed by multiplying the statutory federal income tax rate times the income(loss) before income taxes(benefit) due to the following:

\$ in millions	1993	1992	1991	1990	1989
Income tax expense(benefit) at statutory rate	\$ 59	\$ 61	\$ 94	\$ 106	\$ (38)
Retroactive effect of statutory rate increase	18				
Provision for nondeductible expenses	1	1	8	1	7
Benefit from ESOP dividends	(4)	(3)	(3)	(6)	
Research and experimentation tax credit			(90)		
Investment tax credit, net				1	
	\$ 74	\$ 59	\$ 9	\$ 102	\$ (31)

The research and experimentation tax credit shown for 1991 was the outgrowth of an internal company study that determined the amount earned over the years 1981 through 1990 in excess of the amount previously recognized for those years pending final government regulations which were not issued until 1989.

Deferred income taxes arise because of differences in the treatment of income and expense items for financial reporting and income tax purposes. The principal type of temporary difference stems from the recognition of income on contracts being reported under different methods for tax purposes than for financial reporting. Effective January 1, 1991, the company adopted FASB Statement No. 109.

The tax effects of significant temporary differences and carryforwards that gave rise to year-end deferred tax balances since the adoption of FASB statement No. 109, as broadly categorized in the Consolidated Statements of Financial Position, were as follows:

\$ in millions	1993	1992	1991
Net deferred tax assets			
Deductible temporary differences			
Income on contracts	\$ 21	\$ 13	\$ 8
Retiree benefit plan expense	21	21	16
Provision for estimated expenses	28	27	26
Other	2	2	3
	72	63	53
Taxable temporary differences			
Retiree benefit plan income	(19)	(15)	(7)
Administrative and general expenses period-costed for tax purposes		(3)	(6)
	(19)	(18)	(13)
	\$ 53	\$ 45	\$ 40
Net deferred tax liabilities			
Taxable temporary differences			
Income on contracts	\$ 811	\$ 789	\$ 772
Excess tax over book depreciation	70	89	93
Retiree benefit plan income	94	64	33
Administrative and general expenses			



period-costed for tax purposes	18	18	19
	993	960	917
Deductible temporary differences			
Provision for estimated expenses	(135)	(120)	(116)
Retiree benefit plan expense	(106)	(93)	(76)
Other	(9)	(11)	(17)
	(250)	(224)	(209)
Tax carryforwards			
Operating losses	(54)	(117)	(151)
Tax credits	(129)	(140)	(150)
Alternative minimum tax credit	(87)	(40)	(21)
	(270)	(297)	(322)
	\$ 473	\$ 439	\$ 386
Overall net deferred tax liability			
Total deferred tax liabilities (taxable temporary differences above)	\$1,012	\$ 978	\$ 930
Less total deferred tax assets (deductible temporary differences and tax carryforwards above)	592	584	584
	\$ 420	\$ 394	\$ 346

.....  
The tax carryforward benefits will be used in the periods that net deferred tax liabilities mature. The expiration dates for these tax carryforward benefits are: tax operating loss carryforwards - \$54 million in 2004, and tax credit carryforwards in various amounts over the years 1994 through 2005. The alternative minimum tax credit can be carried forward indefinitely.

Long-Term Debt  
Long-term debt consisted of the following:

..... \$ in millions	1993	1992	1991	1990	1989
Notes payable to institutional investors with interest payable semi-annually					
Notes due November 1991, 9.81%	\$	\$	\$	\$180	\$180
Notes due November 1993, 10.04%		210	210	210	210
Notes due November 1995, 10.24%	160	160	160	160	160
Term loans payable to banks at floating rates		40	180	400	
	160	410	550	950	550
Less current portion		250	80	260	
	\$160	\$160	\$470	\$690	\$550

.....  
The note purchase agreement with institutional investors contains restrictions as to mergers and limitations on liens and aggregate indebtedness - 150 percent of shareholders' equity. In the event of a "change in control" the noteholders could require the company to repurchase the outstanding notes at a premium.

During 1993 the company prepaid the \$40 million term loan outstanding at the end of 1992. The average outstanding balance during 1993, for the days on which notes remained outstanding, was \$40 million at a weighted average interest rate of 3.7 percent. The company paid a facility fee of one-tenth percent per annum on the total amount outstanding.

The principal amount of long-term debt outstanding at December 31, 1993, is due in 1995. Based on interest rates currently available for debt with terms and a due date similar to the company's \$160 million in carrying value of long-term debt, an estimate of its fair value would be \$175 million.

#### Retirement Benefits

The company sponsors several defined-benefit pension plans covering substantially all employees. Pension benefits for most employees are based on the employee's years of service and compensation during the last five years before retirement. It is the policy of the company to fund at least the minimum amount required for all qualified plans, using actuarial cost methods and assumptions acceptable under U.S. Government regulations, by making payments into a trust separate from the company. Two of the four

qualified plans, including the main plan which covers over 80 percent of all employees, were in a legally defined full-funding limitation status. No contributions have been made to the main plan since 1986. To protect the surplus of assets in the master trust from a "change in control" the trust agreement and the main pension plan were appropriately amended during 1991.

The company and a subsidiary also sponsor defined-contribution plans in which all employees are eligible to participate. Company contributions, up to 4 percent of compensation, are based on a formula resulting in the matching of employee contributions.

In addition, the company and its subsidiaries provide certain health care and life insurance benefits for retired employees. Employees achieve eligibility to participate in these contributory plans upon retirement from active service and if they are age 55 with 10 or more years of service, or 65 with 5 years service. Election to participate must be made at the date of retirement. Qualifying dependents are also eligible for medical coverage. Approximately 75 percent of the company's current retirees participate in the medical plan. The cost and funded status for the medical and life benefits are combined in the tables that follow because (1) life benefits constitute an insignificant amount of the combined cost, and (2) the assets in trust for each plan can be used to pay benefits under either plan. Plan documents reserve the company's right to amend or terminate the plans at any time. Premiums charged retirees for medical coverage are based on years of service and are annually adjusted for the cost of the plan as determined by an independent actuary. In addition to this medical inflation cost-sharing feature, the plan also has provisions for deductibles, copayments, coinsurance percentages, out-of-pocket limits, schedule of reasonable fees, managed care providers, maintenance of benefits with other plans, Medicare carve-out and a maximum lifetime benefit of \$250,000 per covered individual. It is the policy of the company to fund the maximum amount deductible for income taxes into the VEBA trust established for these benefits. Until 1991, the costs accrued for these plans were determined by the aggregate actuarial cost method with such amounts paid by the company, along with retiree contributions, into a separate trust. The company elected to implement the new accounting standard, FASB Statement No. 106, for 1991 by immediately recognizing the January 1, 1991, accumulated postretirement benefit obligation of \$437 million. This amount was offset by \$292 million, the fair value of plan assets held in trust outside the company, in recording a net obligation and pretax charge to operations of \$145 million.

The cost to the company of these plans in each of the last five years is shown in the following table.

\$ in millions	1993	1992	1991	1990	1989
.....					
Defined-benefit pension plans					
Actual return on assets	\$(449)	\$(298)	\$(825)	\$ 26	\$(626)
Deferral of actual return on assets	153	38	604	(255)	442
Expected return on assets	(296)	(260)	(221)	(229)	(184)
Service cost	104	99	88	92	89
Interest cost	190	175	158	147	137
Amortization of unrecognized items					
Transition asset, net	(42)	(42)	(42)	(42)	(42)
Prior service costs	15	13	14	14	14
Net gain from previous years	(42)	(68)	(20)	(35)	(4)
Net periodic pension cost(income)	\$ (71)	\$ (83)	\$ (23)	\$ (53)	\$ 10
Defined-contribution plans	\$ 47	\$ 48	\$ 45	\$ 44	\$ 40
Retiree health care and life insurance benefit plans					
Actual return on assets	\$ (19)	\$ (10)	\$ (85)		
Deferral of actual return on assets	(7)	(13)	69		
Expected return on assets	(26)	(23)	(16)		
Service cost	21	25	24		
Interest cost	37	39	39		
Net periodic postretirement benefit cost	\$ 32	\$ 41	\$ 47	\$ 29	\$ 31
.....					

Major assumptions as of each year-end used in the accounting for the defined-benefit plans are shown in the following table. Pension cost is determined using all three factors as of the beginning of each year, whereas the funded status of the plans, shown later, uses only the first two factors, as of the end of each year.

	1993	1992	1991	1990	1989
Discount rate for obligations	7.00%	8.00%	8.00%	8.50%	8.25%
Rate of increase for compensation	5.50	5.50	5.50	5.50	5.50
Expected long-term rate of return on plan assets	8.25	8.25	8.25	8.25	8.25

These assumptions were also used in retiree health care and life insurance benefit calculations with one modification. Since, unlike the pension trust, the earnings of the VEBA trust are taxable, the above pretax 8.25 percent return on plan assets was reduced accordingly to 5.5 percent after taxes. A significant factor used in estimating future per capita cost, for the company and its retirees, of covered health care benefits is known as the health care cost trend rate assumption. The rate used was 10 percent for 1993 and is assumed to decrease gradually to 6 percent for 2006 and remain at that level thereafter. An additional one-percentage-point of increase each year in that rate would result in a \$9 million annual increase in the aggregate of the service and interest cost components of net periodic postretirement benefit cost, and a \$68 million increase in the accumulated postretirement benefit obligation at December 31, 1993.

The following tables set forth the funded status and amounts recognized in the Consolidated Statements of Financial Position at each year-end for the company's defined-benefit pension and retiree health care and life insurance benefit plans. The summary showing pension plans whose accumulated benefits are in excess of assets at December 31, 1993, is comprised of one qualified plan along with four unfunded nonqualified plans for benefits provided to directors, officers and employees either beyond those provided by, or payable under, the company's main plan.

\$ in millions	1993	1992	1991	1990	1989
<b>Pension Plans Whose Assets Exceed Accumulated Benefits</b>					
Actuarial present value of benefit obligations					
Vested benefits	\$ 2,059	\$ 1,690	\$ 1,538	\$ 1,335	\$ 1,178
Nonvested benefits	175	153	147	125	204
Accumulated benefit obligations	2,234	1,843	1,685	1,460	1,382
Effect of assumed salary rate increases	453	421	387	325	346
Projected benefit obligations	2,687	2,264	2,072	1,785	1,728
Less market value of plan assets	3,970	3,642	3,458	2,708	2,824
Excess of assets over projected benefit obligations	(1,283)	(1,378)	(1,386)	(923)	(1,096)
Unrecognized items					
Net transition asset	374	415	458	501	541
Prior service costs	(114)	(133)	(135)	(146)	(157)
Net gain	764	916	972	513	715
Accrued retiree benefits liability (pension asset) included in Consolidated Statements of Financial Position	\$ (259)	\$ (180)	\$ (91)	\$ (55)	\$ 3

Pension plan assets at December 31, 1993, were comprised of 60 percent equity type investments in listed companies (including 7 percent in Northrop common stock) and 40 percent in fixed income type investments, principally in U.S. Government securities. The investment in Northrop represents 7,574,800 shares, or 16 percent of the company's total shares outstanding.

\$ in millions	1993	1992	1991	1990	1989
<b>Pension Plans Whose Accumulated Benefits Exceed Assets</b>					
Actuarial present value of benefit obligations					
Vested benefits	\$ 57	\$ 33	\$ 32	\$ 38	\$ 31
Nonvested benefits	3			2	
Accumulated benefit obligations	60	33	32	40	31
Effect of assumed salary rate increases	19	3	3	3	6
Projected benefit obligations	79	36	35	43	37
Less market value of plan assets	16			10	
Excess of projected benefit obligations over assets	63	36	35	33	37
Unrecognized items					
Net transition obligation	(5)	(4)	(5)	(7)	(6)
Prior service costs	(14)	5	(7)	(10)	(10)
Net gain(loss)	(7)	(3)	9	13	7
Additional minimum liability	12	7	3	3	4
Accrued retiree benefits liability included in Consolidated Statements of Financial Position	\$ 49	\$ 41	\$ 35	\$ 32	\$ 32

Retiree health care and life insurance plan assets at December 31, 1993, were almost entirely comprised of equity type investments in listed companies.

\$ in millions	1993	1992	1991	1990
<b>Retiree health care and life insurance plans</b>				
Accumulated postretirement benefit obligation (APBO)				
Retirees	\$ 274	\$ 243	\$ 240	\$ 206
Fully eligible active employees	86	82	97	83
Active employees not yet eligible	192	194	172	148
Less market value of plan assets	552	519	509	437
Excess of APBO over assets	373	369	372	292
Unrecognized items				
Net transition obligation				(145)
Net gain	74	72	45	
Accrued retiree benefits liability included in Consolidated Statements of Financial Position	\$ 253	\$ 222	\$ 182	\$

#### Contingencies

The corporation and its subsidiaries have been named as defendants in various legal actions. Based upon available information, it is the company's expectation that those actions are either without merit or will have no material adverse effect on the company's results of operations or financial position.

#### Stock Rights

On September 21, 1988, the company adopted a Common Stock Purchase Rights plan. One right for each outstanding share of common stock was issued to shareholders of record on October 5, 1988. The rights will become exercisable on the tenth business day after a person or group has acquired 15 percent or more of the general voting power of the company, or announces an intention to make a tender offer for 30 percent or more of such voting power, without the prior consent of the Board of Directors. If the rights become exercisable, a holder will be entitled to purchase one share of common stock from the company at an initial exercise price of \$105.

If a person acquires more than 15 percent of the then outstanding voting power of the company or if the company is combined with an acquiror, each right will entitle its holder to receive, upon exercise, shares of the company's or the acquiror's (depending upon which is the surviving company) common stock having a value equal to two times the exercise price of the right.

The company will be entitled to redeem the rights at \$.02 per right at any

time prior to the earlier of the expiration of the rights in October 1998 or within 10 days following the date that a person has acquired or obtained the right to acquire 15 percent of the general voting power of the company. The rights are not exercisable until after the date on which the company's prerogative to redeem the rights has expired. The rights do not have voting or dividend privilege and cannot be traded independently from the company's common stock until such time as they become exercisable.

#### Long-Term Incentive Stock Plan

The company's 1993 Long-Term Incentive Stock Plan provides for stock options, stock appreciation rights (SARs) and stock awards to key employees. This plan added 2,300,000 shares, of which up to one-half may be in the form of stock awards, to the pool available for future grants. The number of shares reserved for future grants shown in the following table reflects both stock options and stock awards.

Stock awards, in the form of restricted performance stock rights, are granted to key employees without payment to the company. Recipients of the rights shall earn shares of stock based on a total shareholder return measure of performance over a five year period with interim distributions beginning three years after grant. If after the five year period no shares have been earned, based on performance, 70 percent of the original grant will be forfeited. Compensation expense will be estimated and accrued over the vesting period.

Each grant of a stock option is made at the closing market price on the date of the grant. When stock options are exercised, the amount of the proceeds is added to paid-in capital. Under current accounting standards there are no additions to or deductions from income in connection with these options.

Termination of employment can result in forfeiture of some or all of the benefits extended under the plans.

Stock option activity for the last five years is summarized below:

	Shares Under Option	Shares Exercisable	Shares Reserved for Future Grants
Outstanding at January 1, 1989, nonstatutory options with 1,200,000 SARs, at \$27 to \$47 per share	1,576,300	623,720	2,637,449
Granted	605,000		
Cancelled	(37,780)		
Outstanding at December 31, 1989, nonstatutory options with 1,800,000 SARs, at \$17 to \$47 per share	2,143,520	1,419,120	2,056,467
Granted	739,600		
Cancelled	(36,800)		
Outstanding at December 31, 1990, nonstatutory options with 1,800,000 SARs, at \$15 to \$47 per share	2,846,320	1,491,420	1,161,149
Granted	67,000		
Cancelled	(54,420)		
Exercised or surrendered, at \$17 to \$19 per share	(35,030)		
Outstanding at December 31, 1991, nonstatutory options with 1,800,000 SARs, at \$15 to \$47 per share	2,823,870	1,841,070	1,152,902
Granted	635,700		
Cancelled	(43,380)		
Exercised or surrendered, at \$16 to \$29 per share	(281,660)		
Outstanding at December 31, 1992, nonstatutory options at \$15 to \$47 per share	3,134,530	1,798,550	413,780
Granted	515,300		
Cancelled	(96,640)		
Exercised or surrendered, at \$15 to \$30 per share	(1,405,330)		
Outstanding at December 31, 1993, nonstatutory options at \$15 to \$36 per share	2,147,860	738,300	1,618,640

#### Unaudited Selected Quarterly Data

Quarterly financial results, as previously reported in unaudited quarterly reports to shareholders, are set forth in the following tables together with dividend and common stock price data:

1993 Quarters, \$ in millions, except per share	4	3	2	1
Net sales	\$1,256	\$1,220	\$1,312	\$1,275
Operating margin(loss)	(40)	83	93	83
Net income(loss)	(35)	26	53	52
Earnings(loss) per share	(.73)	.54	1.12	1.09
Dividend per share	.40	.40	.40	.40
Stock price:				
High	39 1/4	42 3/8	42 5/8	37 3/8
Low	34	33 7/8	35 3/8	30 1/2

The sum of quarterly earnings per share for 1993 does not equal earnings per share for the year because the average number of common shares outstanding for the second half of 1993 was disproportionately higher than the full year average due to the high level of stock options exercised during the second half.

Net income and earnings per share in the third quarter of 1993 were reduced for the cumulative effect of the retroactive application of The Revenue Reconciliation Act of 1993 signed into law August 10, 1993. The one percentage point increase in the federal statutory income tax rate required the redetermination of prior deferred tax asset and liability balances as well as an increase in the taxes provided on pretax earnings for the first three quarters of 1993. Third quarter 1993 net income and earnings per share were accordingly reduced by \$18 million, 38 cents per share, and \$2 million, 5 cents per share, respectively.

The operating loss in the fourth quarter of 1993 resulted from a \$164 million provision for an increase in the estimated cost to complete the TSSAM development contract. This provision followed similar ones amounting to \$14 million, \$5 million and \$18 million in each of the three preceding quarters, respectively.

1992 Quarters, \$ in millions, except per share	4	3	2	1
Net sales	\$1,514	\$1,294	\$1,442	\$1,300
Operating margin(loss)	99	(39)	89	80
Net income(loss)	55	(32)	51	47
Earnings(loss) per share	1.17	(.69)	1.08	1.00
Dividend per share	.30	.30	.30	.30
Stock price:				
High	34 7/8	28 3/8	27 3/8	26 7/8
Low	22 1/2	22 1/2	23 7/8	23 7/8

The operating loss in the third quarter of 1992 resulted from a \$152 million provision for the estimated financial impact of the company's proposal to the U.S. Air Force to extend the schedule to complete the TSSAM flight test program.

The corporation's common stock is traded on the New York and Pacific Stock Exchanges (trading symbol NOC). The approximate number of holders of record of the corporation's common stock at January 31, 1994, was 11,550.

#### INDEPENDENT AUDITORS' REPORT

Board of Directors and Shareholders  
Northrop Corporation  
Los Angeles, California

We have audited the accompanying consolidated statements of financial position of Northrop Corporation and Subsidiaries as of December 31 for each of the years 1989 through 1993, and the related consolidated statements of operations, changes in shareholders' equity and cash flows for the years then ended. Our audits also included the financial statement schedules listed in the Index at Item 14. These financial statements and

financial statement schedules are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Northrop Corporation and Subsidiaries at December 31 for each of the years 1989 through 1993, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

As discussed in the footnotes to the consolidated financial statements, in 1991 the company changed its method of computing income taxes by adopting Financial Accounting Standards Board Statement No. 109 - Accounting for Income Taxes and its accounting for nonpension benefit plans by adopting Financial Accounting Standards Board Statement No. 106 - Employers' Accounting for Postretirement Benefits Other Than Pensions.

Deloitte & Touche

Los Angeles, California  
February 1, 1994

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

No information is required in response to this Item.

### PART III

Item 10. Directors and Executive Officers of the Registrant

The information as to Directors will be incorporated herein by reference to the Proxy Statement for the 1994 Annual Meeting of Stockholders to be filed within 120 days after the end of the company's fiscal year.

The information as to Executive Officers is contained in Part I of this report as permitted by General Instruction G(3).

Item 11. Executive Compensation

The information required by this Item will be incorporated herein by reference to the Proxy Statement for the 1994 Annual Meeting of Stockholders to be filed within 120 days after the end of the company's fiscal year.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information required by this Item will be incorporated herein by reference to the Proxy Statement for the 1994 Annual Meeting of Stockholders to be filed within 120 days after the end of the company's fiscal year.

Item 13. Certain Relationships and Related Transactions

The information required by this Item will be incorporated herein by

reference to the Proxy Statement for the 1994 Annual Meeting of Stockholders to be filed within 120 days after the end of the company's fiscal year.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) 1. Financial Statements

Consolidated Statements of Financial Position  
Consolidated Statements of Operations  
Consolidated Statements of Changes in Shareholders' Equity  
Consolidated Statements of Cash Flows  
Notes to Consolidated Financial Statements  
Independent Auditors' Report

2. Financial Statement Schedules

Schedule II - Amounts Receivable from Related Parties and Underwriters, Promoters and Employees other than Related Parties  
Schedule V - Property, Plant and Equipment  
Schedule VI - Accumulated Depreciation, Depletion and Amortization of Property, Plant and Equipment  
Schedule VII - Guarantees of Securities of Other Issuers  
Schedule VIII - Valuation and Qualifying Accounts

All other schedules are omitted either because they are not applicable or not required or because the required information is included in the financial statements or notes thereto.

Separate financial statements of the parent company are omitted since it is primarily an operating company and minority equity interests in and/or nonguaranteed long-term debt of subsidiaries held by others than the company are in amounts which together do not exceed 5 percent of the total consolidated assets at December 31, 1993.

Exhibits:

- 3(a) Certificate of Incorporation, as amended (incorporated by reference to Form SE filed March 30, 1989).
- 3(b) Northrop Corporation Bylaws, as amended (incorporated by reference to Form SE filed March 30, 1993).
- 4(a) Common Stock Purchase Rights Plan (incorporated by reference to Form 8-A filed September 22, 1988 and amended on August 2, 1991).
- 4(b) Note Purchase Agreement dated October 15, 1988 among Northrop Corporation and various Institutional Investors (incorporated by reference to Form SE filed March 30, 1989).
- 10(a) Northrop Corporation Credit Agreement dated as of January 7, 1994.
- 10(b) Uncommitted Credit Facility dated June 14, 1990, between Northrop Corporation and Bank of New York (incorporated by reference to Form SE filed March 30, 1992), which is substantially identical to facilities between Northrop and certain banks some of which are parties to the Credit Agreement filed as Exhibit (10)(a) hereto.
- \*10(c) 1973 Incentive Compensation Plan (incorporated by reference to Form 8-B filed June 21, 1985).
- \*10(d) 1973 Performance Achievement Plan (incorporated by reference to Form 8-B filed June 21, 1985).
- \*10(e) Northrop Supplemental Plan 2.



- \*10(f) Northrop Corporation ERISA Supplemental Plan 1.
- \*10(g) Retirement Plan for Independent Outside Directors (incorporated by reference to Form SE filed March 29, 1991).
- \*10(h) 1987 Long-Term Incentive Plan, as amended (incorporated by reference to Form SE filed March 30, 1989).
- 10(i) Deferred Compensation Arrangement under Performance Achievement Plan (incorporated by reference to Form 8-B filed June 21, 1985).
- \*10(j) Supplemental Life Insurance Policy (incorporated by reference to Form 8-B filed June 21, 1985).
- \*10(k) Supplemental Accidental Death and Dismemberment Insurance Policy (incorporated by reference to Form 8-B filed June 21, 1985).
- \*10(l) Supplemental Long-Term Disability Insurance Policy (incorporated by reference to Form 8-B filed June 21, 1985).
- \*10(m) Supplemental Health Insurance Policy (incorporated by reference to Form 8-B filed June 21, 1985).
- \*10(n) Supplemental Dental Insurance Policy (incorporated by reference to Form 8-B filed June 21, 1985).
- \*10(o) Employment Agreement dated October 18, 1989 between Northrop Corporation and Oliver C. Boileau, Jr. (incorporated by reference to Form SE filed March 30, 1993).
- \*10(p) Northrop Corporation 1993 Long-Term Incentive Stock Plan (incorporated by reference to Northrop Corporation 1993 Proxy Statement filed March 30, 1993).
- \*10(q) Northrop Corporation 1993 Non-employee Directors Plan (incorporated by reference to Northrop Corporation 1993 Proxy Statement filed March 30, 1993).
- 10(r) Northrop Corporation Special Severance Pay Agreement
- 11 Statement Re Computation of Per Share Earnings
- 23 Independent Auditors' Consent
- 24 Power of Attorney

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 \* Listed as Exhibits pursuant to Item 601(b)(10) of Regulation S-K

(b) No reports on Form 8-K were filed during the three months ended December 31, 1993.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 28th day of February 1994.

Northrop Corporation

By: &PINAZ2928

Nelson F. Gibbs  
 Corporate Vice President and  
 Controller  
 (Principal Accounting  
 Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed on behalf of the registrant this 28th day of February 1994, by the following persons and in the capacities indicated.

Signature	Title
Kent Kresa*	Chairman of the Board, President and Chief Executive Officer and Director (Principal Executive Officer)
Oliver C. Boileau, Jr. *	Director
Jack R. Borsting*	Director
John T. Chain, Jr.*	Director
Jack Edwards*	Director
Barbara C. Jordan*	Director
Aulana L. Peters*	Director
Richard R. Rosenberg*	Director
William F. Schmied*	Director
John Brooks Slaughter*	Director
Wallace C. Solberg*	Director
Richard J. Stegemeier*	Director
Richard B. Waugh, Jr.*	Corporate Vice President and Chief Financial Officer

\*By: &&PINAD1368  
 Sheila M. Gibbons, Attorney-in-Fact  
 pursuant to a power of attorney

SCHEDULE II - AMOUNTS RECEIVABLE FROM RELATED PARTIES AND  
 UNDERWRITERS, PROMOTERS AND EMPLOYEES OTHER THAN RELATED PARTIES  
 (Dollars in Thousands)

COL. A	COL. B	COL. C	COL. D		COL. E	
Classification	Balance at Beginning of Period	Additions	Amounts Collected	Deductions Amounts Written Off	Balance at End of Period Current	Not Current
Year ended December 31, 1990	\$ 347	\$ 9	\$ 356	\$ -0-	\$ -0-	\$ -0-

SCHEDULE V - PROPERTY, PLANT AND EQUIPMENT  
 (Dollars in Thousands)

COL A.	COL B.	COL. C	COL. D	COL. E	COL. F
Classification	Balance at Beginning of Period	Additions At Cost	Retirements	Other Changes Add (Deduct) (1)	Balance at End of Period
Year ended December 31, 1989:					
Land.....	\$ 74,032	\$	\$ 184	\$	\$ 73,848
Land improvements.....	42,888			(2,574)	40,314
Buildings.....	783,871	33,458	237	2,574	819,666
Machinery and other equipment..	1,857,470	149,746	79,974		1,927,242
Leasehold improvements.....	60,759	3,626	2,172		62,213
	\$2,819,020	\$186,830	\$ 82,567	\$ -0-	\$2,923,283
Year ended December 31, 1990:					
Land.....	\$ 73,848	\$	\$ 6,152	\$ (1,574)	\$ 66,122
Land improvements.....	40,314	4,201	4,755		39,760
Buildings.....	819,666	20,099	106,687	(18,236)	714,842
Machinery and other equipment..	1,927,242	92,358	78,454	(15,280)	1,925,866
Leasehold improvements.....	62,213	4,526	2,996		63,743
	\$2,923,283	\$121,184	\$199,044	\$ (35,090)	\$2,810,333
Year ended December 31, 1991:					
Land.....	\$ 66,122	\$	\$	\$	\$ 66,122
Land improvements.....	39,760	10,537	3	32	50,326
Buildings.....	714,842	22	1,597	(10,468)	702,799
Machinery and other equipment..	1,925,866	103,152	48,992	10,114	1,990,140
Leasehold improvements.....	63,743	3,688	2,119	(17)	65,295
	\$2,810,333	\$117,399	\$ 52,711	\$ (339)	\$2,874,682
Year ended December 31, 1992:					
Land.....	\$ 66,122	\$ 850	\$ 322	\$	\$ 66,650
Land improvements.....	50,326	619	33	(2)	50,910
Buildings.....	702,799	15,722	536	1,142	719,127
Machinery and other equipment..	1,990,140	102,522	111,190	122	1,981,594
Leasehold improvements.....	65,295	2,810	8,156	(1,262)	58,687
	\$2,874,682	\$122,523	\$120,237	\$ -0-	\$2,876,968
Year ended December 31, 1993:					
Land.....	\$ 66,650	\$ 8	\$	\$	\$ 66,658
Land improvements.....	50,910	1,637	912	28	51,663
Buildings.....	719,127	15,645	476	9,449	743,745
Machinery and other equipment..	1,981,594	114,507	198,815	528	1,897,814
Leasehold improvements.....	58,687	3,110	22,855	(10,005)	28,937
	\$2,876,968	\$134,907	\$223,058	\$ -0-	\$2,788,817

(1) Transfers between classifications and between operating elements and, in 1990, assets taken out of operation and held for sale transferred to prepaid expenses. Depreciation and amortization, including capital leases, is computed using the following lives:

	Years
Land improvements . . . . .	4 to 25
Buildings . . . . .	4 to 45
Machinery and other equipment . . . . .	2 to 20
Leasehold improvements. . . . .	Length of Lease

SCHEDULE VI - ACCUMULATED DEPRECIATION, DEPLETION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT (Dollars in Thousands)

COL A.	COL B.	COL. C	COL. D	COL. E	COL. F
Classification	Balance at Beginning of Period	Additions At Cost	Retirements	Other Changes-- Add (Deduct) (1)	Balance at End of Period
Year ended December 31, 1989:					
Land improvements.....	\$ 17,038	\$ 2,239	\$	\$	\$ 19,277
Buildings.....	204,254	29,879	100		234,033
Machinery and other equipment..	1,072,205	180,925	57,959	8	1,195,179
Leasehold improvements.....	29,383	7,524	1,633	(8)	35,266
	\$1,322,880	\$220,567	\$ 59,692	\$ -0-	\$1,483,755
Year ended December 31, 1990:					
Land improvements.....	\$ 19,277	\$ 1,901	\$ 1,175	\$ (642)	\$ 19,361

Buildings.....	234,033	25,820	24,768	(5,354)	229,731
Machinery and other equipment..	1,195,179	150,921	55,779	(8,955)	1,281,366
Leasehold improvements.....	35,266	8,042	2,707	(2)	40,599
	\$1,483,755	\$186,684	\$ 84,429	\$ (14,953)	\$1,571,057
Year ended December 31, 1991:					
Land improvements.....	\$ 19,361	\$ 2,250	\$	\$ 27	\$ 21,638
Buildings.....	229,731	25,478	412	(499)	254,298
Machinery and other equipment..	1,281,366	135,849	41,864	481	1,375,832
Leasehold improvements.....	40,599	7,723	2,107	(9)	46,206
	\$1,571,057	\$171,300	\$ 44,383	\$ -0-	\$1,697,974
Year ended December 31, 1992:					
Land improvements.....	\$ 21,638	\$ 2,400	\$ 32	\$ (1)	\$ 24,005
Buildings.....	254,298	24,879	508	834	279,503
Machinery and other equipment..	1,375,832	127,209	98,061	107	1,405,087
Leasehold improvements.....	46,206	5,411	6,186	(940)	44,491
	\$1,697,974	\$159,899	\$104,787	\$ -0-	\$1,753,086
Year ended December 31, 1993:					
Land improvements.....	\$ 24,005	\$ 3,278	\$ 910	\$ 14	\$ 26,387
Buildings.....	279,503	56,385	351	4,619	340,156
Machinery and other equipment..	1,405,087	150,761	173,299	490	1,383,039
Leasehold improvements.....	44,491	3,929	20,386	(5,123)	22,911
	\$1,753,086	\$214,353	\$194,946	\$ -0-	\$1,772,493

(1) Transfers between classifications and between operating elements and, in assets taken out of 1990, operation and held for sale transferred to prepaid expenses.

SCHEDULE VII - GUARANTEES OF SECURITIES OF OTHER ISSUERS  
(Dollars in Thousands)

Column A	Column B	Column C	Column D	Column E	Column F	Column G
			Amount owned by person or persons for which statement is filed	Amount in treasury of issuer of securities guaranteed	Nature of guarantee	Nature of any default by issuer of securities guaranteed in principal, interest, sinking fund redemption or provisions or payment of dividends
Name of issuer of securities guaranteed by person for which statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding				
Cruceros de Valencia	Mortgage	\$ 3,000	-0-	-0-	Guaranteed by Northrop	None

SCHEDULE VIII - VALUATION AND QUALIFYING ACCOUNTS  
(Dollars in Thousands)

COL. A	COL. B	COL. C	COL. D	COL. E
Classification	Balance at Beginning of Period	Additions At Cost	Other Changes-- Add (Deduct) (1)	Balance at End of Period
Description:				
Year ended December 31, 1989				
Reserves and allowances deducted from asset accounts:				
Allowances for doubtful amounts . . . . .	\$75,393	\$ 6,699	\$ (9,248)	\$72,844
Year ended December 31, 1990				
Reserves and allowances deducted from asset accounts:				
Allowances for doubtful amounts . . . . .	\$72,844	\$27,862	\$ (18,625)	\$82,081
Year ended December 31, 1991				

Reserves and allowances deducted from asset accounts:				
Allowances for doubtful amounts . . . . .	\$82,081	\$ 8,900	\$(38,980)	\$52,001
Year ended December 31, 1992				
Reserves and allowances deducted from asset accounts:				
Allowances for doubtful amounts . . . . .	\$52,001	\$ 7,571	\$( 2,412)	\$57,160
Year ended December 31, 1993				
Reserves and allowances deducted from asset accounts:				
Allowances for doubtful amounts . . . . .	\$57,160	\$ 9,304	\$( 9,759)	\$56,705

(1) Uncollectible amounts written off, net of recoveries.

EXHIBIT 11

STATEMENT RE COMPUTATION OF PER SHARE EARNINGS  
(in thousands, except per share)

	1993	1992	1991	1990	1989
Primary:					
Average shares outstanding	48,085	47,179	47,075	46,963	46,986
Net effect of the assumed exercise of stock options - based on the treasury stock method	792	251	187	1	
Totals	48,877	47,430	47,262	46,964	46,986
Income(loss) before cumulative effect of accounting principle changes	\$ 95,755	\$120,922	\$268,256	\$210,424	\$(80,469)
Cumulative effect on prior years of changes in accounting principles:					
Income Taxes			20,282		
Retiree healthcare and life insurance benefits			(87,717)		
Net Income(loss)	\$ 95,755	\$120,922	\$200,821	\$210,424	\$(80,469)
Earnings(loss) per share before cumulative effect of accounting principle changes	\$ 1.96	\$ 2.55	\$ 5.68	\$ 4.48	\$ (1.71)
Cumulative effect on prior years of change in accounting principles, per share:					
Income Taxes			.43		
Retiree healthcare and life insurance benefits			(1.86)		
Earnings(loss) per share(1)	\$ 1.96	\$ 2.55	\$ 4.25	\$ 4.48	\$ (1.71)
Fully diluted:					
Average shares outstanding	48,085	47,179	47,075	46,963	46,986
Net effect of the assumed exercise of stock options - based on the treasury stock method	872	805	225	4	
Totals	48,957	47,984	47,300	46,967	46,986
Income(loss) before cumulative effect of accounting principle changes	\$ 95,755	\$120,922	\$268,256	\$210,424	\$(80,469)
Cumulative effect on prior years of changes in accounting principles:					
Income Taxes			20,282		
Retiree healthcare and life insurance benefits			(87,717)		
Net Income(loss)	\$ 95,755	\$120,922	\$200,821	\$210,424	\$(80,469)
Earnings(loss) per share before cumulative effect of accounting principle changes	\$ 1.96	\$ 2.52	\$ 5.67	\$ 4.48	\$ (1.71)
Cumulative effect on prior years of change in accounting principles, per share:					
Income Taxes			.43		
Retiree healthcare and life insurance benefits			(1.85)		
Earnings(loss) per share(1)	\$ 1.96	\$ 2.52	\$ 4.25	\$ 4.48	\$ (1.71)

(1) This calculation was made in compliance with Item 601 of Regulation S-K. Earnings per

share presented elsewhere in this report exclude from their calculation shares issuable under employee stock options, since their dilutive effect is less than 3%.

EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statements Nos. 2-73293, 2-98614 and 33-15764 of Northrop Corporation on Form S-8 of our report dated February 1, 1994, appearing in this Annual Report on Form 10-K of Northrop Corporation for the year ended December 31, 1993.

DELOITTE & TOUCHE

Los Angeles, California  
February 28, 1994

EXHIBIT 10(e)

NORTHROP SUPPLEMENTAL PLAN 2

EFFECTIVE DECEMBER 1, 1993  
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ARTICLE I

Definitions

For purposes of the Plan, the following terms,  
when capitalized, will have the following  
meanings:

- 1.01 "Board of Directors" means the Board of Directors of the Company.
- 1.02 "Code" means the Internal Revenue Code of 1986, as amended.
- 1.03 "Company" means Northrop Corporation.
- 1.04 "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.
- 1.05 "Participant" means any employee of the Company who is eligible for benefits under a particular Program and has not received full payment under the Program.
- 1.06 "Plan" means this plan, the Northrop Supplemental Plan 2.
- 1.07 "Program" means one of the eligibility and benefit structures described in the Appendices.

ARTICLE II

General Provisions

- 2.01 In General. The Plan contains a number of different benefit Programs which are set forth in the Appendices. The Appendices describe the

eligibility conditions and the amount of benefits payable under the Programs.

- 2.02 Forms and Times of Benefit Payments. Unless particular rules regarding the form and timing of benefit payments are set forth in a Program, the Company will determine the form and timing of benefit payments in its sole discretion, except where a lump sum election under Article III is applicable.

For payments made to supplement those of a particular tax-qualified retirement or savings plan, the Company will only select among the options available under that plan, using the same actuarial adjustments used in that plan.

In the case of a married Participant, payments will be made in the form of a 50% joint and survivor annuity with the Participant's spouse as survivor beneficiary, unless the Participant's spouse consents to some other form of payment.

Whenever the present value of the amount payable under the Plan does not exceed \$10,000, it will be paid in the form of a single lump sum as of the first of the month following termination of employment. The lump sum will be calculated using the factors and methodology described in Section 3.06 below.

- 2.03 Beneficiaries and Spouses. If the Company selects a form of payment which includes a survivor benefit, the Participant may make a beneficiary designation, which may be changed at any time prior to commencement of benefits. A beneficiary designation must be in writing and will be effective only when received by the Company.

If a Participant is married on the date his or her benefits are scheduled to commence, his or her beneficiary will be his or her spouse unless some other beneficiary is named with spousal consent. Spousal consent, to be effective, must be submitted in writing before benefits commence and must be witnessed by a Plan representative or notary public. No spousal consent is necessary if the Company determines that there is no spouse or that the spouse cannot be found.

With respect to Programs designed to supplement tax-qualified retirement or savings plans, the Participant's spouse will be the spouse as determined under the underlying tax-qualified plan. Otherwise, the Participant's spouse will be determined by the Company in its sole discretion.

- 2.04 Amendment and Plan Termination. The Company may, in its sole discretion, through action of the Board of Directors or its delegate, terminate, suspend or amend this Plan at any time or from time to time, in whole or in part.

- (a) Except as provided in (f), no amendment, suspension or termination of the Plan may, without the consent of a Participant, affect the Participant's right or the right of the surviving spouse to receive benefits in



accordance with this Plan as in effect on the date the employee becomes a Participant.

- (b) The Participant's rights to benefits following any amendment which are preserved by (a) will be determined as if he or she terminated employment immediately prior to the adoption of the amendment (or its effective date, if later). The determination in the preceding sentence will be based on the relevant factors at that time, such as the Participant's compensation history, service credits and Code limitations on benefits.
- (c) However, the determination in (b) will be adjusted to take into account any post-amendment increases in benefits provided by the Company's tax-qualified retirement and savings plans, to the extent such benefits are also a factor in the benefits due under this Plan.

Example: Assume an amendment eliminates all future benefits under a particular Program. Assume that the Program provides a level of benefits reduced by benefits paid under a tax-qualified plan. Assume further that as of the date of the amendment, a Participant's level of benefits under the Program is \$150/month less a tax-qualified plan benefit of \$100/month, leaving the Participant a net benefit of \$50. Under paragraph (b), the Participant's right to that \$50 would be preserved.

However, assume that later the Participant's tax-qualified plan benefit increases to \$130/month. Under the provisions of this paragraph (c), for future months, the Participant would only be entitled to \$20 under this Plan.

- (d) In addition, the determination in (b) will also be adjusted to take into account post-amendment decreases in a Participant's compensation, to the extent relevant to the pre-amendment Plan benefits.
- (e) The rights of surviving spouses claiming benefits under the Plan with respect to a Participant will be preserved and limited in the same fashion as a Participant's benefits.
- (f) The Company may, in its sole discretion, through action of the Board of Directors or its delegate, amend or eliminate any of the provisions of the Plan with respect to lump sum distributions at any time, including the calculation factors of Section 3.06. This applies whether or not a Participant has already made a lump sum election.

2.05 Not an Employment Agreement. Nothing contained in this Plan gives any Participant the right to be retained in the service of the Company, nor does it interfere with the right of the Company to discharge or otherwise deal with Participants

without regard to the existence of this Plan.

- 2.06 Assignment of Benefits. A Participant, surviving spouse or beneficiary may not, either voluntarily or involuntarily, assign, anticipate, alienate, commute, sell, transfer, pledge or encumber any benefits to which he or she is or may become entitled under the Plan, nor may Plan benefits be subject to attachment or garnishment by any of their creditors or to legal process.
- 2.07 Nonduplication of Benefits. This Section applies if, despite Section 2.06, with respect to any Participant (or his or her beneficiaries), the Company is required to make payments under this Plan to a person or entity other than the payees described in the Plan. In such a case, any amounts due the Participant (or his or her beneficiaries) under this Plan will be reduced by the actuarial value of the payments required to be made to such other person or entity. Actuarial value will be determined using the factors and methodology described in Section 3.06 below.
- 2.08 Funding. Participants have the status of general unsecured creditors of the Company and the Plan constitutes a mere promise by the Company to make benefit payments in the future. The Company may, but need not, fund benefits under the Plan through a trust. If it does so, any trust created by the Company and any assets held by the trust to assist it in meeting its obligations under the plan will conform to the terms of the model trust, as described in Internal Revenue Service Revenue Procedure 92-64, but only to the extent required by Internal Revenue Service Revenue Procedure 92-65. It is the intention of the Company and Participants that the Plan be unfunded for tax purposes and for purposes of Title I of ERISA.
- 2.09 Construction. The Company shall have full discretionary authority to determine eligibility and to construe and interpret the terms of the Plan, including the power to remedy possible ambiguities, inconsistencies or omissions.
- 2.10 Governing Law. This Plan shall be governed by the law of the State of California, except to the extent superseded by federal law.
- 2.11 Plan Representatives. Those authorized to act as Plan representatives will be designated in writing by the Board of Directors or its delegate.
- 2.12 Number. The singular, where appearing in this Plan, will be deemed to include the plural, unless the context clearly indicates the contrary.

### ARTICLE III

#### Lump Sum Election

- 3.01 In General. This Article sets forth the rules under which Participants may elect to receive their benefits in a lump sum. This Article does not apply to active employees (Section 3.04) in cases where benefits do not exceed \$10,000 and so

are automatically payable in lump sum form under Section 2.02.

This Article will not be applicable if a particular Program so provides.

- 3.02 Retirees Election. Participants and Participants' beneficiaries already receiving monthly benefits under the Plan at its inception will be given a one-time opportunity to elect a lump sum payout of future benefit payments. The election must be made within a 45-day period determined by the Company. Within its discretion, the Company may delay the commencement of the 45-day period in instances where the Company is unable to timely communicate with a particular payee.

The determination as to whether a payee is already receiving monthly benefits will be made at the beginning of the 45-day period.

Elections to receive a lump sum must be made in writing and must include spousal consent if the payee (whether the Participant or beneficiary) is married. Elections and spousal consent must be witnessed by a Plan representative or a notary public.

An election (with spousal consent, where required) to receive the lump sum made at any time during the 45-day period will be irrevocable. If no proper election has been made by the end of the 45-day period, payments will continue unchanged in the monthly form that had previously been applicable.

- 3.03 Retirees Lump Sum. If a retired Participant makes a proper election under Section 3.02 within the 45-day period, monthly payments will continue in the previously applicable form for 12 months. As of the first of the 13th month, the present value of the remaining benefit payments will be paid to the Participant (or survivor, as appropriate) in a single lump sum.

- 3.04 Actives Election. Participants who are still employed by the Company may elect to have their benefits paid in the form of a single lump sum under this Section. Such an election may be made at any time during the 60-day period prior to termination of employment and covers both--

- (a) Benefits payable to the Participant during his or her lifetime, and
- (b) Survivor benefits (if any) payable to the Participant's beneficiary, including preretirement death benefits (if any) payable to the Participant's spouse.

An election, once made, cannot be revoked.

Elections to receive a lump sum must be made in writing and must include spousal consent if the payee is married. Elections and spousal consent must be witnessed by a Plan representative or a notary public.

3.05 Actives Lump Sum. If a Participant terminates employment with a proper lump sum election in effect under Section 3.04, the lump sum will be payable as of the first of the month following the later of termination of employment or 12 months after the lump sum election.

However, if the Participant dies prior to commencement of benefits, and the Participant is survived by a spouse who is entitled to a preretirement surviving spouse benefit, the lump sum will be payable as of the first of the month following the date of the Participant's death.

If the lump sum is not immediately payable after retirement in accordance with the first paragraph of this Section, monthly benefit payments will commence the first of the month following termination of employment. Payments will be made:

(a) in the case of a Participant who is not married on the date benefits are scheduled to commence, based on a straight life annuity for the Participant's life, or

(b) in the case of a Participant who is married on the date benefits are scheduled to commence, based on a joint and survivor annuity form with the Participant's spouse as the survivor annuitant and with the survivor benefit equal to 50% of the Participant's benefit, determined by using the contingent annuitant option factors used to convert straight life annuities to 50% joint and survivor annuities under the Northrop Retirement Plan.

3.06 Calculation of Lump Sum. The factors to be used in calculating the lump sum are as follows:

Interest: Whichever of the following two rates that produces the smaller lump sum:

- (1) the discount rate used by the Company for the interest assumption used by the Company for purposes of Statement of Financial Accounting Standards No. 87 of the Financial Accounting Standards Board as disclosed in the Company's annual report to shareholders for the year end immediately preceding the date of distribution, or
- (2) the PBGC interest rate (or rates) that would be used to calculate a lump sum value for the benefit under the Northrop Retirement Plan (taking into account the differential for lump sums over \$25,000).

Mortality: 1983 Group Annuity Mortality table.

Increase in Section 415 Limit: 4% per year.

Age: Age rounded to the nearest month at the

time the lump sum payment is due.

Variable Unit Values: Variable Unit Values are presumed not to increase for future periods after the date the lump sum is payable.

The annuity to be converted to a lump sum will be the remaining annuity currently payable to the Participant or his or her beneficiary at the time the lump sum is due.

For example, assume a Participant is receiving benefit payments in the form of a 50% joint and survivor annuity.

If the Participant and the survivor annuitant are both still alive at the time the lump sum payment is due, the present value calculation will be based on the remaining benefits to be paid to both the Participant and the survivor.

If only the survivor is alive, the calculation will be based solely on the remaining 50% survivor benefits to be paid to the survivor.

If only the Participant is alive, the calculation will be based solely on the remaining benefits to be paid to the Participant.

In the case of a Participant who dies prior to commencement of benefits so that only a preretirement surviving spouse benefit (if any) is payable, the lump sum will be based solely on the value of the preretirement surviving spouse benefit.

No lump sum payment will be made if:

The Participant is receiving monthly benefit payments in a form that does not provide for survivor benefits and the Participant dies before the time the lump sum payment is due.

The Participant is receiving monthly benefit payments in a form that does provide for survivor benefits but the Participant and the beneficiary both die before the time the lump sum payment is due.

3.07 Spousal consent. Spousal consent, as required for elections as described above, need not be obtained if the Company determines that there is no spouse or the spouse cannot be located.

A Participant will be considered married for purposes of the spousal consent requirement if he or she is married on the date of his or her election.

#### APPENDIX A

A.01 Purpose. The purpose of this Program is to provide minimum pension and death benefits to senior executives participating in the Northrop Retirement Plan ("Retirement Plan") who have only had a short period of service with the Company prior to retirement.

A.02 Eligibility. Officers of the Company may become Participants under this Program only if they are designated as such by the Board of Directors.

A.03 Retirement Benefit. Upon voluntary or involuntary termination of employment with the Company (other than by death), at or after age 55 and with 10 or more years of Vesting Service, a Participant will be entitled to the benefit described in Section A.04.

A.04 Amount of Retirement Benefit. A Participant entitled to a benefit under Section A.03 will receive a benefit equal in value to the excess of (a) over (b) as follows:

(a) is the greater of

(1) the value of the Participant's retirement income under the Retirement Plan, computed without regard to the limitations on benefits and the cap on counted compensation imposed by Code sections 415 and 401(a)(17), or

(2) the value of a life annuity with annual payments equal to the Participant's Final Average Salary (as defined by the Retirement Plan) in effect on the date of his or her termination multiplied by the appropriate percentage shown in the following schedule:

Age at Termination Date*	Percentage of Final Average Salary at Termination Date**
55	30%
56	34%
57	38%
58	42%
59	46%
60	50%
61	52%
62	54%
63	56%
64	58%
65 and over	60%

(b) is the value of the Participant's retirement income under the Retirement Plan, computed as of his or her termination of employment.

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\*Calculated to years and completed months on the Termination Date.

\*\*The applicable percentage shall be straight line interpolation depending on the Participant's age on his termination date. The percentage thus determined shall be rounded to the nearest hundredth. For example, if a Participant terminates when he is 55 years and 8 months old, the applicable percentage is  $30.00\% + 2.67\% = 32.67\%$ .

A.05 Post-55 Preretirement Surviving Spouse Benefit. If a Participant dies--

- (a) after age 55;
- (b) while credited with 10 or more years of Vesting Service;
- (c) while still in the employ of the Company; and
- (d) his or her spouse is entitled to a survivor annuity under the Retirement Plan,

then the Participant's spouse will be entitled to the benefit under Section A.06.

A.06 Amount of Post-55 Spouse's Benefit. The Participant's surviving spouse shall be entitled to receive a benefit equal to the sum of (a) and (b), with such sum then reduced by (c) where:

- (a) is the amount of retirement income that the Participant would have received under the 100% Contingent Annuitant Option under the Retirement Plan had the Participant retired on the date of death,
- (b) is the amount of the benefit under the Plan after the offset of the Retirement Plan benefit the Participant would have received if he or she had retired on the date of his death with said 100% Contingent Annuitant Option in effect, and
- (c) is the value of the annuity benefit payable to the surviving spouse under the Retirement Plan (even if the annuity is commuted to a lump sum).

A.07 Payment of Post-55 Spouse's Benefit. The spouse's benefit described in Section A.06 will be payable commencing the first day of the month next following the Participant's date of death and shall terminate on the date of death of the surviving spouse.

A.08 Pre-55 Preretirement Surviving Spouse Benefit. If a Participant dies--

- (a) before age 55;
- (b) while credited with 10 or more years of Vesting Service; and

(c) while still in the employ of the Company,

then the Participant's spouse will be entitled to the benefit under Section A.09.

A.09 Amount of Pre-55 Spouse's Benefit. The Participant's surviving spouse shall be entitled to receive a benefit equal to the benefit standing to the credit of the Participant under the Retirement Plan as of the date of his or her death, actuarially reduced in accordance with the factors in the following table:

Age of Participant at Date of Death*	Factor to be Applied to the Earned Benefit**
55	.431
54	.399
53	.370
52	.343
51	.319
50	.297
49	.276
48	.257
47	.240
46	.223
45	.208

Any extension of the above table below age 45 shall be based on the following assumptions (i) Mortality - 1971 Towers, Perrin, Forster & Crosby Forecast Mortality Table, and (ii) Interest - 6% compounded annually.

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\*Calculated to years and completed months on date of death.

\*\*The applicable factor shall be determined by straight line interpolation depending on Participant's age at date of death.

A.10 Payment of Pre-55 Spouse's Benefit. The spouse's benefit described in Section A.09 will be payable commencing the first day of the month next following the Participant's date of death and will terminate on the date of death of the surviving spouse.

A.11 Waiver of Requirements. The President of the Company or its Chief Executive Officer may, in his or her discretion,

(a) waive the requirement of 10 years of Vesting Service in any one or all of Sections A.03, A.05, and A.08, and



- (b) with respect to Section A.05, waive the requirement that the Participant's spouse be entitled to a survivor annuity under the Retirement Plan only by virtue of the fact that such Participant has not yet accumulated sufficient years of Vesting Service as of the date of death.

This waiver authority includes the authority to have benefits under the Program pro rated based on Vesting Service for Participants receiving a waiver (e.g., benefits under the Program will be multiplied by an amount equal to the Participant's years of Vesting Service divided by 10). Any waiver will specify whether or not the pro rating of benefits will be applicable.

A.12 Effective Date. This Program first became effective on July 18, 1973 and will be effective as to each Participant on the date the Board of Directors takes the action designating him or her as a Participant under this Program.

A.13 Vesting Service. For purposes of this Program, Vesting Service will be determined under the Retirement Plan.

#### APPENDIX B

##### ERISA Supplemental Program 2

B.01 Purpose. The purpose of this Program is simply to restore to employees of the Company the benefits they lose under the Northrop Retirement Plan and the Retirement Plan of Northrop Corporation, Electronic Systems Division - Rolling Meadows Site ("the Pension Plans") as a result of the compensation limit in Code section 401(a)(17) ("section 401(a)(17)"), or any successor provision.

B.02 Eligibility. An employee of the Company is eligible to receive a benefit under this Program if he or she:

- (a) retires on or after January 1, 1989;
- (b) has vested in benefits under one or both Pension Plans which are reduced because of the application of section 401(a)(17); and
- (c) is not eligible to receive a benefit under the Northrop Corporation Supplemental Retirement Income Program for Senior Executives.

B.03 Amount of Benefit. The benefit payable under this Program with respect to a Participant who commences benefits during his or her lifetime will equal the retirement benefit, if any, which would have been payable to the Participant under the terms of a Pension Plan, but for the restrictions of Code sections 401(a)(17) and 415 ("section 415"), or any successor section.

The benefit payable under this Program will be reduced by the combined amounts of Pension Plan Benefits and the Northrop Corporation ERISA

Supplemental Plan 1 benefits attributable to the applicable Pension Plan.

Benefits under this Program will only be paid to supplement benefit payments actually made from a Pension Plan. If benefits are not payable under a Pension Plan because the Participant has failed to vest or for any other reason, no payments will be made under this Program with respect to such Pension Plan.

- B.04 Preretirement Surviving Spouse Benefit. Preretirement surviving spouse benefits will be payable under this Program on behalf of a Participant if such Participant's surviving spouse is eligible for benefits payable from a Pension Plan. The benefit payable will be the amount which would have been payable under the Pension Plan but for the restrictions of section 401(a)(17) and section 415.

The benefit payable under this Program will be reduced by the combined amounts of the Pension Plan Benefits and the Northrop Corporation ERISA Supplemental Plan 1 benefits attributable to the applicable Pension Plan.

No benefit will be payable under this Program with respect to a spouse after the death of that spouse.

- B.05 Plan Termination. No further benefits may be earned under this Program with respect to a particular Pension Plan after the termination of such Pension Plan.
- B.06 Pension Plan Benefits. For purposes of this Appendix, the term Pension Plan Benefits generally means the benefits actually payable to a Participant, spouse, beneficiary or contingent annuitant under a Pension Plan. However, this Program is only intended to remedy pension reductions caused by the operation of section 401(a)(17) and not reductions caused for any other reason. In those instances where pension benefits are reduced for some other reason, the term Pension Plan Benefits shall be deemed to mean the benefits that actually would have been payable but for such other reason.

Examples of such other reasons include, but are not limited to, the following:

- (a) A reduction in pension benefits as a result of a distress termination (as described in ERISA Section 4041(c) or any comparable successor provision of law) of a Pension Plan. In such a case, the Pension Plan Benefits will be deemed to refer to the payments that would have been made from the Pension Plan had it terminated on a fully funded basis as a standard termination (as described in ERISA Section 4041(b) or any comparable successor provision of law).
- (b) A reduction of accrued benefits as permitted under section 412(c)(8) of the Internal

Revenue Code of 1986, as amended, or any comparable successor provision of law.

- (c) A reduction of pension benefits as a result of payment of all or a portion of a Participant's benefits to a third party on behalf of or with respect to a Participant.

EXHIBIT 10(f)

NORTHROP CORPORATION

ERISA SUPPLEMENTAL PLAN 1

EFFECTIVE DECEMBER 1, 1993

ARTICLE I

Definitions

- 1.01 Company means the Company as designated in the Pension Plans.
- 1.02 Participant means any employee who (a) is eligible for benefits under one or both Pension Plans, (b) meets the eligibility requirements of Section 2.02 of this Plan and (c) and has not received full payment under the Plan.
- 1.03 Plan means the Northrop Corporation ERISA Supplemental Plan 1.
- 1.04 Pension Plan Benefits is defined in Section 2.08 of this Plan.
- 1.05 Pension Plan and Pension Plans mean the Northrop Retirement Plan and/or the Retirement Plan of Northrop Corporation, Electronic Systems Division Rolling Meadows Site.

ARTICLE II

Eligibility for and Amount of Benefits

- 2.01 Purpose. The purpose of this Plan is simply to restore to employees of the Company the benefits they lose under the Pension Plans as a result of the benefit limits in section 415 of the Internal Revenue Code of 1986, as amended, or any successor section (section 415).
- 2.02 Eligibility. Each Participant is eligible to receive a benefit under this Plan if:
- (a) he or she has vested in benefits under one or both Pension Plans;
- (b) he or she has vested benefits reduced because of the application of section 415; and
- (c) he or she is not eligible to receive a benefit under the Northrop Corporation Supplemental Retirement Income Plan for

Senior Executives.

2.03 Amount of Benefit. The benefit payable from the Company under this Plan to a Participant will equal the retirement benefit, if any, which would have been payable to the Participant under the terms of a Pension Plan but for the restrictions of section 415.

The benefit payable under this Plan will be reduced by the amount of Pension Plan Benefits attributable to the applicable Pension Plan.

Benefits under this Plan will only be paid to supplement benefit payments actually made from a Pension Plan. If benefits are not payable under a Pension Plan because the Participant has failed to vest or for any other reason, no payments will be made under this Plan with respect to such Pension Plan.

2.04 Preretirement Surviving Spouse Benefit. Preretirement surviving spouse benefits will be payable under this Plan on behalf of a Participant if such Participants surviving spouse is eligible for preretirement surviving spouse benefits payable from a Pension Plan. The benefit payable will be the amount which would have been payable under the Pension Plan but for the restrictions of section 415.

The benefit payable under this Plan will be reduced by the amount of Pension Plan Benefits attributable to the applicable Pension Plan.

No benefit will be payable under this Plan with respect to a spouse after the death of that spouse.

2.05 Forms and Times of Benefit Payments. The Company will determine the form and timing of benefit payments in its sole discretion. However, for payments made to supplement those of a particular Pension Plan, the Company will only select among the options available under that Pension Plan, using the same actuarial adjustments used in that Pension Plan.

Whenever the present value of the amount payable under the Plan does not exceed \$10,000, it will be paid in the form of a single lump sum as of the first of the month following termination of employment. The lump sum will be calculated using the factors and methodology described in Section 3.06 below.

2.06 Beneficiaries and Spouses. If the Company selects a form of payment which includes a survivor benefit, the Participant may make a beneficiary designation, which may be changed at any time prior to commencement of benefits. A beneficiary designation must be in writing and will be effective only when received by the Company.

If a Participant is married on the date his or her benefits are scheduled to commence, his or her beneficiary will be his or her spouse unless some other beneficiary is named with spousal consent. Spousal consent, to be effective, must be submitted in writing before benefits commence and must be witnessed by a Plan representative or

notary public. No spousal consent is necessary if the Company determines that there is no spouse or that the spouse cannot be found.

The Participants spouse will be the spouse as determined under the underlying Pension Plan.

- 2.07 Plan Termination. No further benefits may be earned under this Plan with respect to a particular Pension Plan after the termination of such Pension Plan.
- 2.08 Pension Plan Benefits. The term Pension Plan Benefits generally means the benefits actually payable to a Participant, spouse, beneficiary or contingent annuitant under a Pension Plan. However, this Plan is only intended to remedy pension reductions caused by the operation of section 415 and not reductions caused for any other reason. In those instances where pension benefits are reduced for some other reason, the term Pension Plan Benefits shall be deemed to mean the benefits that would have been actually payable but for such other reason.

Examples of such other reasons include, but are not limited to, the following:

(a) A reduction in pension benefits as a result of a distress termination (as described in ERISA Section 4041(c) or any comparable successor provision of law) of a Pension Plan. In such a case, the Pension Plan Benefits will be deemed to refer to the payments that would have been made from the Pension Plan had it terminated on a fully funded basis as a standard termination (as described in ERISA Section 4041(b) or any comparable successor provision of law).

(b) A reduction of accrued benefits as permitted under section 412(c)(8) of the Internal Revenue Code of 1986, as amended, or any comparable successor provision of law.

(c) A reduction of pension benefits as a result of payment of all or a portion of a Participants benefits to a third party on behalf of or with respect to a Participant.

### ARTICLE III

#### Lump Sum Election

- 3.01 In General. This Article sets forth the rules under which Participants may elect to receive their benefits in a lump sum. This Article does not apply to active employees (Section 3.04) in cases where benefits do not exceed \$10,000 and so are automatically payable in lump sum form under Section 2.06.
- 3.02 Retirees Election. Participants and Participants beneficiaries already receiving monthly benefits under the Plan at its inception will be given a one-time opportunity to elect a lump sum payout of future benefit payments. The election must be made within a 45-day period determined by the Company.

Within its discretion, the Company may delay the commencement of the 45-day period in instances where the Company is unable to timely communicate with a particular payee.

The determination as to whether a payee is already receiving monthly benefits will be made at the beginning of the 45-day period.

Elections to receive a lump sum must be made in writing and must include spousal consent if the payee (whether the Participant or beneficiary) is married. Elections and spousal consent must be witnessed by a Plan representative or a notary public.

An election (with spousal consent, where required) to receive the lump sum made at any time during the 45-day period will be irrevocable. If no proper election has been made by the end of the 45-day period, payments will continue unchanged in the monthly form that had previously been applicable.

3.03 Retirees Lump Sum. If a retired Participant makes a proper election under Section 3.02 within the 45-day period, monthly payments will continue in the previously applicable form for 12 months. As of the first of the 13th month, the present value of the remaining benefit payments will be paid to the Participant (or survivor, as appropriate) in a single lump sum.

3.04 Actives Election. Participants who are still employed by the Company may elect to have their benefits paid in the form of a single lump sum under this Section. Such an election may be made at any time during the 60-day period prior to termination of employment and covers both--

- (a) Benefits payable to the Participant during his or her lifetime, and
- (b) Survivor benefits (if any) payable to the Participants beneficiary, including preretirement death benefits (if any) payable to the Participants spouse.

An election, once made, cannot be revoked.

Elections to receive a lump sum must be made in writing and must include spousal consent if the payee is married. Elections and spousal consent must be witnessed by a Plan representative or a notary public.

3.05 Actives Lump Sum. If a Participant terminates employment with a proper lump sum election in effect under Section 3.04, the lump sum will be payable as of the first of the month following the later of termination of employment or 12 months after the lump sum election.

However, if the Participant dies prior to commencement of benefits, and the Participant is survived by a spouse who is entitled to a preretirement surviving spouse benefit, the lump sum will be payable as of the first of the month

following the date of the Participants death.

If the lump sum is not immediately payable after retirement in accordance with the first paragraph of this Section, monthly benefit payments will commence the first of the month following termination of employment. Payments will be made:

(a) in the case of a Participant who is not married on the date benefits are scheduled to commence, based on a straight life annuity for the Participants life, or

(b) in the case of a Participant who is married on the date benefits are scheduled to commence, based on a joint and survivor annuity form with the Participants spouse as the survivor annuitant and with the survivor benefit equal to 50% of the Participants benefit, determined by using the contingent annuitant option factors used to convert straight life annuities to 50% joint and survivor annuities under the Northrop Retirement Plan.

3.06 Calculation of Lump Sum. The factors to be used in calculating the lump sum are as follows:

Interest: Whichever of the following two rates that produces the smaller lump sum:

(1) the discount rate used by the Company for the interest assumption used by the Company for purposes of Statement of Financial Accounting Standards No. 87 of the Financial Accounting Standards Board as disclosed in the Companys annual report to shareholders for the year end immediately preceding the date of distribution, or

(2) the PBGC interest rate (or rates) that would be used to calculate a lump sum value for the benefit under the Northrop Retirement Plan (taking into account the differential for lump sums over \$25,000).

Mortality: 1983 Group Annuity Mortality table.

Increase in Section 415 Limit: 4% per year.

Age: Age rounded to the nearest month on the date the lump sum is payable.

Variable Unit Values: Variable Unit Values are presumed not to increase for future periods after the date the lump sum is payable.

The annuity to be converted to a lump sum will be



the remaining annuity currently payable to the Participant or his or her beneficiary at the time the lump sum is due.

For example, assume a Participant is receiving benefit payments in the form of a 50% joint and survivor annuity.

If the Participant and the survivor annuitant are both still alive at the time the lump sum payment is due, the present value calculation will be based on the remaining benefits to be paid to both the Participant and the survivor.

If only the survivor is alive, the calculation will be based solely on the remaining 50% survivor benefits to be paid to the survivor.

If only the Participant is alive, the calculation will be based solely on the remaining benefits to be paid to the Participant.

In the case of a Participant who dies prior to commencement of benefits so that only a preretirement surviving spouse benefit (if any) is payable, the lump sum will be based solely on the value of the preretirement surviving spouse benefit.

No lump sum payment will be made if:

The Participant is receiving monthly benefit payments in a form that does not provide for survivor benefits and the Participant dies before the time the lump sum payment is due.

The Participant is receiving monthly benefit payments in a form that does provide for survivor benefits but the Participant and the beneficiary both die before the time the lump sum payment is due.

3.07 Spousal consent. Spousal consent, as required for elections as described above, need not be obtained if the Company determines that there is no spouse or the spouse cannot be located.

A Participant will be considered married for purposes of the spousal consent requirement if he or she is married on the date of his or her election.

#### ARTICLE IV

##### Miscellaneous

4.01 Amendment and Plan Termination. The Company may, in its sole discretion, through action of the Board of Directors or its delegate, terminate, suspend or amend this Plan at any time or from time to time, in whole or in part.

(a) Except as provided in (f), no amendment, suspension or termination of the Plan may,

without the consent of a Participant, affect the Participants right or the right of the surviving spouse to receive benefits in accordance with this Plan as in effect on the date the employee becomes a Participant.

- (b) The Participants rights to benefits following any amendment which are preserved by (a) will be determined as if he or she terminated employment immediately prior to the adoption of the amendment (or its effective date, if later). The determination in the preceding sentence will be based on the relevant factors at that time, such as the Participants compensation history, service credits and Code limitations on benefits.
- (c) However, the determination in (b) will be adjusted to take into account any post-amendment increases in benefits provided by the Pension Plans.

Example: Assume an amendment eliminates all future benefits under the Plan. Assume that as of the date of the amendment, a Participants level of benefits under the Plan is \$150/month less a Pension Plan benefit of \$100/month, leaving the Participant a net benefit of \$50. Under paragraph (b), the Participants right to that \$50 would be preserved.

However, assume that later the Participants Pension Plan benefit increases to \$130/month. Under the provisions of this paragraph (c), for future months, the Participant would only be entitled to \$20 under this Plan.

- (d) In addition, the determination in (b) will also be adjusted to take into account post-amendment decreases in a participants compensation.
- (e) The rights of surviving spouses claiming benefits under the Plan with respect to a Participant will be preserved and limited in the same fashion as a Participants benefits.
- (f) The Company may, in its sole discretion, through action of the Board of Directors or its delegate, amend or eliminate any of the provisions of the Plan with respect to lump sum distributions at any time, including the calculation factors of Section 3.06. This applies whether or not a Participant has already made a lump sum election.

4.02 Not an Employment Agreement. Nothing contained in this Plan gives any Participant the right to be retained in the service of the Company, nor does it interfere with the right of the Company to discharge or otherwise deal with Participants without regard to the existence of this Plan.

4.03 Assignment of Benefits. A Participant, surviving spouse or beneficiary may not, either voluntarily or involuntarily, assign, anticipate, alienate, commute, sell, transfer, pledge or encumber any

benefits to which he or she is or may become entitled under the Plan, nor may Plan benefits be subject to attachment or garnishment by any of their creditors or to legal process.

- 4.04 Nonduplication of Benefits. This Section applies if, despite Section 4.03, with respect to any Participant (or his or her beneficiaries), the Company is required to make payments under this Plan to a person or entity other than the payees described in the Plan. In such a case, any amounts due the Participant (or his or her beneficiaries) under this Plan will be reduced by the actuarial value of the payments required to be made to such other person or entity. Actuarial value will be determined using the factors and methodology described in Section 3.06 above.
- 4.05 Funding. Participants have the status of general unsecured creditors of the Company and the Plan constitutes a mere promise by the Company to make benefit payments in the future. The Company may, but need not, fund benefits under the Plan through a trust. If it does so, any trust created by the Company and any assets held by the trust to assist it in meeting its obligations under the plan will conform to the terms of the model trust, as described in Internal Revenue Service Revenue Procedure 92-64, but only to the extent required by Internal Revenue Service Revenue Procedure 92-65. It is the intention of the Company and Participants that the Plan be unfunded for tax purposes and for purposes of Title I of ERISA.
- 4.06 Construction. The Company shall have full discretionary authority to determine eligibility and to construe and interpret the terms of the Plan, including the power to remedy possible ambiguities, inconsistencies or omissions.
- 4.07 Governing Law. This Plan shall be governed by the law of the State of California, except to the extent superseded by federal law.
- 4.08 Plan Representatives. Those authorized to act as Plan representatives will be designated in writing by the Board of Directors or its delegate.
- 4.09 Number. The singular, where appearing in this Plan, will be deemed to include the plural, unless the context clearly indicates the contrary.

[COMPOSITE CONFORMED COPY]

NORTHROP CORPORATION

-----  
CREDIT AGREEMENT

Dated as of January 7, 1994

-----  
\$400,000,000

-----  
BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION  
CHEMICAL BANK  
MORGAN GUARANTY TRUST COMPANY OF NEW YORK,  
as Co-Agents

-----  
THE CHASE MANHATTAN BANK  
(NATIONAL ASSOCIATION),  
as Agent

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- EXHIBIT A-1 - Form of Syndicated Note
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Counsel to the Banks
- EXHIBIT D - Form of Confidentiality Agreement

CREDIT AGREEMENT dated as of January 7, 1994 among: NORTHROP CORPORATION, a corporation duly organized and validly existing under the laws of the State of Delaware (together with its successors and permitted assigns, the "Company"); each of the banks that is a signatory hereto (together with its successors and permitted assigns, individually, a "Bank" and, collectively, the "Banks"); and THE CHASE MANHATTAN BANK (NATIONAL ASSOCIATION), as agent for the Banks (in such capacity, together with its successors in such capacity, the "Agent").

The Company has requested that the Banks make loans to the Company, and the Banks are prepared to make such loans upon the terms and conditions hereof. Accordingly, the parties hereto agree as follows:

Section 1. Definitions and Accounting Matters.

1.01 Certain Defined Terms. As used herein, the following terms shall have the following meanings (all terms defined in this Section 1 or in other provisions of this Agreement in the singular to have the same meanings when used in the plural and vice versa):

"Applicable Lending Office" shall mean, for each Bank and for each type of Loan, the Lending Office of such Bank (or of an affiliate of such Bank) designated for such type of Loan on the signature pages hereof or such other office of such Bank (or of an affiliate of such Bank) as such Bank may from time to time specify to the Agent and the Company as the office by which its Loans of such type are to be made and maintained.

"Applicable Facility Fee Rate" and "Applicable Margin" for each type of Syndicated Loan shall mean: (a) during the period from the date of this Agreement to but excluding the first Quarterly Date, the respective rates set forth below opposite the range of the Leverage Ratio set forth below which encompasses the Leverage Ratio set forth in the certificate delivered by the Company under Section 6.01(i) hereof and (b) during each Quarterly Period, the respective rates set forth below opposite the range of the Leverage Ratio set forth below which encompasses the Leverage Ratio set forth in the certificate required to be delivered under Section 8.01(h) hereof not less than five Business Days prior to the first day of such Quarterly Period (provided that if the Company shall fail to deliver such certificate as required under Section 8.01(h) hereof, the "Applicable Facility Fee Rate" and the "Applicable Margin" for each type of Syndicated Loan during such Quarterly Period shall be determined as if the relevant Leverage Ratio were greater than 1.25 to 1):

Range of Leverage Ratio	Applicable Facility Fee Rate	Applicable Margin Base Rate Loan	Eurodollar Loan
Greater than or equal to 1.25 to 1	0.3500%	0%	0.4000%
Less than 1.25 to 1 but greater than or equal to 0.60 to 1	0.2500%	0%	0.3500%
Less than 0.60 to 1 but greater than or equal to 0.35 to 1	0.1875%	0%	0.2500%
Less than 0.35 to 1	0.1500%	0%	0.2250%

"Bankruptcy Code" shall mean the Federal Bankruptcy Code of 1978, as amended from time to time.

"Base Rate" shall mean, with respect to any Base Rate Loan, for any day, the higher of (a) the Federal Funds Rate for such day plus 1/2 of 1% and (b) the Prime Rate for such day. Each change in any interest rate provided for herein based upon the Base Rate resulting from a change in the Base Rate shall take effect at the time of such change in the Base Rate.

"Base Rate Loans" shall mean Syndicated Loans which bear interest at rates based upon the Base Rate.

"Basle Accord" shall mean the proposals for risk-based capital framework described by the Basle Committee on Banking Regulations and Supervisory Practices in its paper entitled "International Convergence of Capital Measurement and Capital Standards" dated July 1988, as amended, supplemented and otherwise modified and in effect from time to time, or any replacement thereof.

"Business Day" shall mean any day on which commercial banks are not authorized or required to close in New York City and, where such term is used in the definition of "Quarterly Date" in this Section 1.01 or if such day relates to the giving of notices or quotes in connection with a LIBOR Auction or to a borrowing of, a payment or prepayment of principal of or interest on, or the Interest Period for, a Eurodollar Loan or a LIBOR Bid Loan or a notice by the Company with respect to any such borrowing, payment, prepayment or Interest Period for a Eurodollar Loan or a LIBOR Bid Loan, which is also a day on which dealings in Dollar deposits are carried out in the London interbank market.

"Chase" shall mean The Chase Manhattan Bank (National Association).

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Combined Statement of Position and Income" shall mean, for any fiscal period, an unaudited combined statement of

position as at the last day of such fiscal period and an unaudited combined statement of income for the portion of the fiscal year of the Company ending on the last day of such fiscal period, in substantially the form, respectively, of the Combined Statement of Position and the Combined Statement of Income of the Company dated September 30, 1993 heretofore delivered to the Banks.

"Commitment" shall mean, as to each Bank, the obligation of such Bank to make Syndicated Loans pursuant to Section 2.01 hereof in an aggregate amount at any one time outstanding equal to the amount set opposite such Bank's name on the signature pages hereof under the caption "Commitment" (as the same may be reduced pursuant to Section 2.04 hereof or reduced or increased pursuant to Section 11.06(b) hereof).

"Commitment Termination Date" shall mean January 6, 1998.

"Competitive Bid Borrowing" shall have the meaning set forth in Section 2.03(b) hereof.

"Competitive Bid Loan Limit" shall have the meaning set forth in Section 2.03(c) hereof.

"Competitive Bid Loans" shall mean the loans provided for by Section 2.03 hereof.

"Competitive Bid Margin" shall have the meaning set forth in Section 2.03(c)(ii)(C) hereof.

"Competitive Bid Notes" shall mean the promissory notes provided by Section 2.08(b) hereof.

"Competitive Bid Quote" shall mean an offer by a Bank to make a Competitive Bid Loan in accordance with Section 2.03(c) hereof.

"Competitive Bid Quote Request" shall have the meaning set forth in Section 2.03(b) hereof.

"Competitive Bid Rate" shall have the meaning set forth in Section 2.03(c)(ii)(D) hereof.

"Consolidated Net Earnings Available for Restricted Payments" shall mean an amount equal to (i) the sum of \$350,000,000 plus 80% (or minus 100% in case of consolidated net loss) of consolidated net earnings of the Company and the Subsidiaries for the period (taken as one accounting period) commencing October 1, 1993 and terminating on the Quarterly Date immediately preceding the date of any proposed Restricted Payment, less (ii) the sum of (A) the aggregate amount of all dividends (except stock dividends) and other distributions paid or declared by the Company on any class of its stock on and after October 1, 1993 and (B) the excess (if any) of the aggregate amount expended, directly or indirectly, on and after October 1, 1993 for the redemption, purchase or other acquisition of any shares of its stock, over the aggregate amount received on and after said date as the net cash proceeds of the sale of any shares of its stock.

"Consolidated Tangible Shareholders' Equity" shall mean the sum (determined without duplication on a consolidated basis) of the following amounts: paid in capital and retained earnings of the Company and the Subsidiaries, minus the sum of the amount on the books of the Company and the



Subsidiaries of (x) all intangible assets, including but not limited to good will, patents, franchises, trade-marks, trade names and copyrights, at the time of any computation of Consolidated Tangible Shareholders' Equity, (y) the write-up in book value of any assets resulting from any revaluation thereof after acquisition and (z) unamortized debt discount and expense (collectively, "Intangibles"); provided that, solely for the purposes of calculating Consolidated Tangible Shareholders' Equity when such term is used in Section 8.08 hereof and in the definition of the term Leverage Ratio when used in Section 8.13 hereof, Intangibles arising out of transactions consummated after September 30, 1993 shall be deducted only to the extent that the amount of such Intangibles exceeds \$350,000,000 in the aggregate.

"Default" shall mean an Event of Default or an event which with notice or lapse of time or both would become an Event of Default.

"Dollars" and "\$" shall mean lawful money of the United States of America.

"Equity Issuance" shall mean (a) any issuance or sale (including, without limitation, issuance or sale as a result of a conversion or exchange of debt securities) by the Company or any of the Subsidiaries of (i) any capital stock or any warrants, options or rights exercisable in respect of capital stock, including any capital stock issued upon the exercise of any such warrants, options or rights (other than any capital stock, warrants, options or rights issued to directors, officers or employees of the Company or any of the Subsidiaries pursuant to employee benefit plans, stock option plans or long-term incentive plans established in the ordinary course of business and any capital stock of the Company issued upon the exercise of such warrants, options or rights) or (ii) any other security or instrument representing an equity interest in the Company or any of the Subsidiaries or (b) the receipt by the Company or any of the Subsidiaries of any capital contribution (whether or not evidenced by any equity security issued by the recipient of such contribution); provided that Equity Issuance shall not include (x) any such issuance or sale by any Subsidiary to the Company or any Wholly-Owned Subsidiary or (y) any capital contribution by the Company or any Wholly-Owned Subsidiary to any Subsidiary.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.

"ERISA Affiliate" shall mean any corporation or trade or business which is a member of the same controlled group of corporations (within the meaning of Section 414(b) of the Code) as the Company or is under common control (within the meaning of Section 414(c) of the Code) with the Company.

"Eurodollar Loans" shall mean Syndicated Loans the interest rates on which are determined on the basis of rates referred to in the definition of "Fixed Base Rate" in this Section 1.01.

"Event of Default" shall have the meaning assigned to that term in Section 9 hereof.

"Existing Credit Agreement" shall mean the Credit Agreement dated as of October 3, 1990 among the Company, the banks party thereto and The Chase Manhattan Bank (National Association), as agent, as amended, supplemented and

otherwise modified and in effect from time to time.

"Federal Funds Rate" shall mean, for any day, the rate per annum (rounded upwards, if necessary, to the nearest 1/100th of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day, provided that (i) if the day for which such rate is to be determined is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day and (ii) if such rate is not so published for any day, the Federal Funds Rate for such day shall be the average rate charged to Chase on such day on such transactions as determined by the Agent.

"Final Risk-Based Capital Guidelines" shall mean (a) the Final Risk-Based Capital Guidelines of the Board of Governors of the Federal Reserve System (12 C.F.R. Part 208, Appendix A and 12 C.F.R. Part 225, Appendix A) and (b) and the Final Risk-Based Capital Guidelines of the Office of the Comptroller of the Currency, and any successor or supplemental regulations (12 C.F.R. Part 3, Appendix A), and any successor regulations, in each case, as amended, supplemented and otherwise modified and in effect from time to time.

"Fixed Base Rate" shall mean, with respect to any Fixed Rate Loan, the arithmetic mean (rounded, if necessary, to the nearest 1/16 of 1%), as determined by the Agent, of the rate per annum quoted by each Reference Bank at approximately 11:00 a.m. London time (or as soon thereafter as practicable) two Business Days prior to the first day of the Interest Period for such Loan for the offering by such Reference Bank to leading banks in the London interbank market of Dollar deposits having a term comparable to such Interest Period and in an amount comparable to the principal amount of the Eurodollar Loan or LIBOR Bid Loan to be made by such Reference Bank for such Interest Period. If any Reference Bank is not participating in any Eurodollar Loan, the Fixed Base Rate for such Loan shall be determined by reference to the amount of the Loan which such Reference Bank would have made had it been participating in such Loan.

In determining the Fixed Base Rate with respect to any LIBOR Bid Loan, each Reference Bank shall be deemed to have made a LIBOR Bid Loan in an amount equal to \$10,000,000. If any Reference Bank does not timely furnish such information for determination of any Fixed Base Rate, the Agent shall determine such Fixed Base Rate on the basis of information timely furnished by the remaining Reference Banks.

"Fixed Rate" shall mean a rate per annum (rounded, if necessary, to the nearest 1/100 of 1%) determined by the Agent to be equal to the Fixed Base Rate for such Loan for the Interest Period for such Loan.

"Fixed Rate Loans" shall mean Eurodollar Loans and, for the purposes of the definition of "Fixed Base Rate" herein and Section 5 hereof, LIBOR Bid Loans.

"Funded Debt" shall mean any obligation of the Company or any Subsidiary for borrowed money or the purchase price of property which is shown on the financial statements as a liability, including (a) obligations under capitalized leases and (b) obligations which are deemed Funded Debt

under Section 8.09 hereof but excluding (i) Subordinated Debt (unless such Subordinated Debt is required by Section 8.14 hereof to be included as Funded Debt hereunder), (ii) items customarily reflected as current liabilities and classified as other than debt (it being understood that progress payments, trade accounts payable, obligations under leases which are not capitalized leases and income taxes payable are excluded from "Funded Debt" under this definition) and (iii) deferred income taxes.

"Government" shall mean the United States of America or any department or agency thereof.

"Interest Period" shall mean:

(a) With respect to any Eurodollar Loan, the period commencing on the date such Eurodollar Loan is made and ending on the numerically corresponding day in the first, second, third or sixth calendar month thereafter, as the Company may select as provided in Section 2.02 hereof, except that each Interest Period which commences on the last Business Day of a calendar month (or on any day for which there is no numerically corresponding day in the appropriate subsequent calendar month) shall end on the last Business Day of the appropriate subsequent calendar month.

(b) With respect to any Base Rate Loan, the period commencing on the date such Base Rate Loan is made and ending on the earlier of (i) the Quarterly Date next succeeding such date and (ii) the Commitment Termination Date.

(c) With respect to any Set Rate Loan, the period commencing on the date such Set Rate Loan is made and ending on any Business Day up to and including 180 days thereafter, as the Company may select as provided in Section 2.03(b) hereof.

(d) With respect to any LIBOR Bid Loan, the period commencing on the date such LIBOR Bid Loan is made and ending on the numerically corresponding day in the first, second, third or sixth calendar month thereafter, as the Company may select as provided in Section 2.03(b) hereof, except that each Interest Period which commences on the last Business Day of a calendar month (or any day for which there is no numerically corresponding day in the appropriate subsequent calendar month) shall end on the last Business Day of the appropriate subsequent calendar month.

Notwithstanding the foregoing: (i) no Interest Period may commence before and end after the Commitment Termination Date; (ii) each Interest Period which would otherwise end on a day which is not a Business Day shall end on the next succeeding Business Day (or, in the case of an Interest Period for Eurodollar Loans or LIBOR Bid Loans, if such next succeeding Business Day falls in the next succeeding calendar month, on the next preceding Business Day); and (iii) notwithstanding clause (i) above, no Interest Period for any Fixed Rate Loans or LIBOR Bid Loans shall have a duration of less than one month and, if the Interest Period for any Fixed Rate Loans would otherwise be a shorter period, such Loans shall not be available hereunder.

"Leverage Ratio" shall mean, at any time, the ratio of (a) the aggregate amount (determined without duplication on

a consolidated basis) of all Funded Debt outstanding at such time to (b) Consolidated Tangible Shareholders' Equity at such time.

"LIBO Rate" shall mean, for any LIBOR Bid Loan, a rate per annum determined by the Agent to be equal to the rate of interest specified in the definition of "Fixed Base Rate" in this Section 1.01 for the Interest Period for such Loan.

"LIBOR Auction" shall mean a solicitation of Competitive Bid Quotes setting forth Competitive Bid Margins based on the LIBO Rate pursuant to Section 2.03 hereof.

"LIBOR Bid Loans" shall mean Competitive Bid Loans the interest rates on which are determined on the basis of LIBO Rates pursuant to a LIBOR Auction.

"Lien" shall mean, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset.

"Loans" shall mean Competitive Bid Loans and Syndicated Loans.

"Majority Banks" shall mean, at any time, one or more Banks having at such time more than 50% of the aggregate amount of the Commitments or, if the Commitments shall have terminated, one or more Banks holding at such time more than 50% of the aggregate outstanding principal amount of the Loans.

"Material Subsidiary" shall mean, at any time, any Subsidiary if, at such time, such Subsidiary would qualify as a "significant subsidiary" under Regulation S-X of the Securities and Exchange Commission as in effect on the date hereof.

"Multiemployer Plan" shall mean a multiemployer plan defined as such in Section 3(37) of ERISA to which contributions have been made by the Company or any ERISA Affiliate and which is covered by Title IV of ERISA.

"Net Income" shall mean, as to the Company and the Subsidiaries for any fiscal period, an amount equal to the consolidated net income of the Company and the Subsidiaries for such fiscal period computed on the basis of the financial statements required to be delivered to the Banks under Section 8.01(a) hereof.

"Notes" shall mean the promissory notes provided for by Section 2.08 hereof.

"PBGC" shall mean the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

"Person" shall mean an individual, a corporation, a company, a voluntary association, a partnership, a trust, an unincorporated organization or a government or any agency, instrumentality or political subdivision thereof.

"Plan" shall mean an employee benefit or other plan established or maintained by the Company or any ERISA Affiliate and which is covered by Title IV of ERISA, other than a Multiemployer Plan.

"Post-Default Rate" shall mean, in respect of any principal of any Loan or any other amount payable by the

Company under this Agreement or any Note which is not paid when due (whether at stated maturity, by acceleration or otherwise), a rate per annum during the period commencing on the due date until such amount is paid in full equal to 1% plus the Base Rate as in effect from time to time plus the Applicable Margin (if any) (provided that, if such amount in default is principal of a Fixed Rate Loan or a Competitive Bid Loan and the due date is a day other than the last day of the Interest Period therefor, the "Post-Default Rate" for such principal shall be, for the period commencing on the due date and ending on the last day of the Interest Period therefor, 1% plus the interest rate for such Loan as provided in Section 3.02 hereof and, thereafter, the rate otherwise provided in this definition). For the purposes of computing the Post-Default Rate, the Applicable Margin shall be determined as if the Leverage Ratio were greater than 1.25 to 1.

"Prime Rate" shall mean the arithmetic mean (rounded, if necessary, to the nearest 1/16 of 1%), as determined by the Agent, of the rate of interest from time to time announced by each Reference Bank at its principal office as its prime commercial lending rate.

"Principal Office" shall mean the principal office of Chase, located on the date of this Agreement at 1 Chase Manhattan Plaza, New York, New York 10081.

"Quarterly Dates" shall mean the last Business Day of each March, June, September and December in each year, the first of which shall be the first such day after the date of this Agreement.

"Quarterly Period" shall mean the period from and including one Quarterly Date to but excluding the next succeeding Quarterly Date.

"Quotation Date" shall have the meaning set forth in Section 2.03(b) hereof.

"Reference Banks" shall mean Chase, Chemical Bank, The First National Bank of Chicago and Morgan Guaranty Trust Company of New York (or their Applicable Lending Offices, as the case may be).

"Regulation A", "Regulation D", "Regulation U" and "Regulation X" shall mean, respectively, Regulation A, Regulation D, Regulation U and Regulation X of the Board of Governors of the Federal Reserve System (or any successor), as the same may be modified and supplemented and in effect from time to time.

"Regulatory Change" shall mean, with respect to any Bank, any change after the date of this Agreement in United States Federal, state or foreign law or regulations (including Regulation D) or the adoption or making after such date of any interpretations, directives or requests applying to a class of banks including such Bank of or under any United States Federal, state or foreign law or regulations (whether or not having the force of law) by any court or governmental or monetary authority charged with the interpretation or administration thereof.

"Reserve Requirement" shall mean, for any Interest Period for any Fixed Rate Loan or LIBOR Bid Loan, the average maximum rate at which reserves (including any marginal, supplemental or emergency reserves) are required to be maintained during such Interest Period under

Regulation D by member banks of the Federal Reserve System in New York City with deposits exceeding one billion Dollars against "Eurocurrency liabilities" (as such term is used in Regulation D). Without limiting the effect of the foregoing, the Reserve Requirement shall reflect any other reserves required to be maintained by such member banks by reason of any Regulatory Change against (i) any category of liabilities which includes deposits by reference to which the Fixed Base Rate for Eurodollar Loans or LIBOR Bid Loans (as the case may be) is to be determined as provided in the definition of "Fixed Base Rate" or "LIBO Rate" in this Section 1.01 or (ii) any category of extensions of credit or other assets which include Fixed Rate Loans or LIBOR Bid Loans.

"Restricted Payment" shall mean any dividend (other than dividends payable solely in stock of the Company) or any other distribution with respect to any stock of the Company, whether now or hereafter outstanding, or any payment on account of the purchase, acquisition, redemption or other retirement, directly or indirectly, of any shares of such stock.

"Set Rate Auction" shall mean a solicitation of Competitive Bid Quotes setting forth Competitive Bid Rates pursuant to Section 2.03 hereof.

"Set Rate Loans" shall mean Competitive Bid Loans the interest rates on which are determined on the basis of Competitive Bid Rates pursuant to a Set Rate Auction.

"Subordinated Debt" shall mean any indebtedness of the Company which is subordinated to the indebtedness evidenced by the Notes by subordination provisions satisfactory in form and substance to the Banks.

"Subsidiary" shall mean any corporation of which outstanding shares of stock of such corporation having by the terms thereof ordinary voting power to elect (whether immediately or ultimately) a majority of the board of directors of such corporation (irrespective of whether or not at the time stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) are at the time directly or indirectly owned or controlled by the Company or one or more of the Subsidiaries or by the Company and one or more of the Subsidiaries. "Wholly-Owned Subsidiary" shall mean any such corporation of which all of such shares, other than directors' qualifying shares, are so owned or controlled.

"Syndicated Loans" shall mean the loans provided for by Section 2.01 hereof.

"Syndicated Notes" shall mean the promissory notes provided for by Section 2.08(a) hereof.

#### 1.02 Accounting Terms and Determinations.

(a) Except as otherwise expressly provided herein, all accounting terms used herein shall be interpreted, and all financial statements and certificates and reports as to financial matters required to be delivered to the Banks hereunder shall (unless otherwise disclosed to the Banks in writing at the time of delivery thereof in the manner described in subsection (b) below) be prepared, in accordance with generally accepted accounting principles applied on a basis consistent with those used in the preparation of the latest corresponding financial

statements furnished to the Banks hereunder after the date hereof (or, until such financial statements are furnished, consistent with those used in the preparation of the financial statements referred to in Section 7.02 hereof). All calculations made for the purposes of determining compliance with the provisions of this Agreement shall (except as otherwise expressly provided herein) be made by application of generally accepted accounting principles applied on a basis consistent with those used in the preparation of the latest corresponding annual or quarterly financial statements furnished to the Banks pursuant to Section 8.01 hereof (or, until such financial statements are furnished, consistent with those used in the preparation of the financial statements referred to in Section 7.02 hereof) unless (i) the Company shall have objected to determining such compliance on such basis at the time of delivery of such financial statements or (ii) the Majority Banks shall so object in writing within 30 days after delivery of such financial statements, in either of which events such calculations shall be made on a basis consistent with those used in the preparation of the latest financial statements as to which such objection shall not have been made (which, if objection is made in respect of the first financial statements delivered under Section 8.01 hereof, shall mean the financial statements referred to in Section 7.02 hereof).

(b) The Company shall deliver to the Banks at the same time as the delivery of any annual or quarterly financial statement under Section 8.01 hereof (i) a description in reasonable detail of any material variation between the application of accounting principles employed in the preparation of such statement and the application of accounting principles employed in the preparation of the next preceding annual or quarterly financial statements as to which no objection has been made in accordance with the last sentence of paragraph (a) above (which, in the case of the first financial statements delivered under Section 8.01 hereof, shall mean the financial statements referred to in Section 7.02 hereof) and (ii) reasonable estimates of the difference between such statements arising as a consequence thereof.

(c) If, under the last sentence of paragraph (a) above, the Company or the Majority Banks shall object to determining compliance with the covenants contained herein based upon the latest financial statements delivered under Section 8.01 hereof, and if the Company and the Banks (or the Majority Banks, as the case may be) shall enter into an amendment or other modification of the covenants and other terms and conditions of this Agreement which, in their sole respective discretion, makes adequate adjustments for any material variation of the type described in clause (i) of Section 1.02(b) hereof, then neither the Company nor the Banks shall thereafter have any right to object to determining compliance with the covenants contained herein based upon said financial statements.

## Section 2. Commitments.

2.01 Syndicated Loans. Each Bank severally agrees, on the terms of this Agreement, to make loans to the Company during the period from and including the date hereof to but excluding the Commitment Termination Date in an aggregate principal amount at any one time outstanding up to but not exceeding the amount of such Bank's Commitment as then in effect. Subject to the terms of this Agreement, during such period the Company may borrow, repay and reborrow the amount of the Commitments; provided that no Syndicated Loan shall be made if the sum of (i) such Syndicated Loan (together with all other Syndicated Loans and Competitive Bid Loans to be made on the same day as such Syndicated Loan), plus (ii) the aggregate principal amount of all

outstanding Competitive Bid Loans, plus (iii) the aggregate principal amount of all outstanding Syndicated Loans exceeds the aggregate amount of the Commitments at such time; and provided further that there may be no more than fifteen different Interest Periods for both Syndicated Loans and Competitive Bid Loans outstanding at the same time (for which purpose Interest Periods described in different lettered clauses of the definition of the term "Interest Period" shall be deemed to be different Interest Periods even if they are coterminous). Syndicated Loans may be Base Rate Loans or Eurodollar Loans (each a "type" of Syndicated Loan).

2.02 Borrowings of Syndicated Loans. The Company shall give the Agent (which shall promptly notify the Banks) notice of each borrowing hereunder of Syndicated Loans, which notice shall be irrevocable and effective only upon receipt by the Agent, shall specify with respect to the Syndicated Loans to be borrowed (i) the aggregate amount (which shall be \$10,000,000 or an integral multiple of \$1,000,000 in excess thereof), (ii) the type and date (which shall be a Business Day) and (iii) in the case of Fixed Rate Loans, the duration of the Interest Period therefor and shall be given not later than 11:00 a.m. New York time on the day which is not less than the number of Business Days prior to the date of such borrowing specified below opposite the type of such Loans:

Type	Number of Business Days
Base Rate Loans	0
Eurodollar Loans	3

Not later than 1:00 p.m. New York time on the date specified for each Syndicated Loan borrowing hereunder, each Bank shall make available the amount of the Syndicated Loan to be made by it on such date to the Agent, at account number NYAO-DI-900-9-000002 maintained by the Agent with Chase at the Principal Office, in immediately available funds, for account of the Company. The amount so received by the Agent shall, subject to the terms and conditions of this Agreement, be made available to the Company by depositing the same, in immediately available funds, in an account of the Company maintained with Chase at the Principal Office designated by the Company.

### 2.03 Competitive Bid Loans.

(a) In addition to borrowings of Syndicated Loans, at any time prior to the Commitment Termination Date the Company may, as set forth in this Section 2.03, request the Banks to make offers to make Competitive Bid Loans to the Company. The Banks may, but shall have no obligation to, make such offers and the Company may, but shall have no obligation to, accept any such offers in the manner set forth in this Section 2.03. Competitive Bid Loans may be LIBOR Bid Loans or Set Rate Loans (each a "type" of Competitive Bid Loan), provided that:

(i) there may be no more than fifteen different Interest Periods for both Syndicated Loans and Competitive Bid Loans outstanding at the same time (for which purpose Interest Periods described in different lettered clauses of the definition of the term "Interest Period" shall be deemed to be different Interest Periods even if they are coterminous); and

(ii) the aggregate principal amount of all Competitive Bid Loans, together with the aggregate principal amount of all Syndicated Loans, at any one time outstanding shall not exceed the aggregate amount of the Commitments at such time.



(b) When the Company wishes to request offers to make Competitive Bid Loans, it shall give the Agent (which shall promptly notify the Banks) notice (a "Competitive Bid Quote Request") so as to be received no later than 11:00 a.m. New York time on (x) the fourth Business Day prior to the date of borrowing proposed therein, in the case of a LIBOR Auction or (y) the Business Day next preceding the date of borrowing proposed therein, in the case of a Set Rate Auction (or, in any such case, such other time and date as the Company and the Agent, with the consent of the Majority Banks, may agree with notice by the Agent to the Banks of such agreement), specifying:

(i) the proposed date of such borrowing (a "Competitive Bid Borrowing"), which shall be a Business Day;

(ii) the aggregate amount of such Competitive Bid Borrowing, which shall be \$10,000,000 or an integral multiple of \$5,000,000 in excess thereof, but shall not cause the limits specified in Section 2.03(a) hereof to be violated;

(iii) the duration of the Interest Period applicable thereto;

(iv) whether the Competitive Bid Quotes requested are to set forth a Competitive Bid Margin or a Competitive Bid Rate;

(v) if the Competitive Bid Quotes requested are to set forth a Competitive Bid Rate, the date on which the Competitive Bid Quotes are to be submitted (which may not be earlier than the Business Day next succeeding the date of the Competitive Bid Quote Request) if it is before the proposed date of borrowing (the date on which such Competitive Bid Quotes are to be submitted is called the "Quotation Date" and if no such date is specified, the Quotation Date is the proposed date of borrowing); and

(vi) the aggregate principal amount of all Competitive Bid Loans and Syndicated Loans outstanding at the date of such Competitive Bid Quote Request.

The Company may request offers to make Competitive Bid Loans with both Competitive Bid Margins and Competitive Bid Rates, and with different Interest Periods, in a single request; provided that (aa) the request for each separate type and maturity shall be deemed to be a separate Competitive Bid Quote Request for a separate Competitive Bid Borrowing and (bb) the Company may not make more than 5 Competitive Bid Quote Requests at the same time. Except as otherwise provided in the preceding sentence, no Competitive Bid Quote Request shall be given within five Business Days (or such other number of days as the Company and the Agent, with the consent of the Majority Banks, may agree with notice by the Agent to the Banks of such agreement) of any other Competitive Bid Quote Request.

(c) (i) Each Bank may submit a Competitive Bid Quote containing an offer to make a Competitive Bid Loan in response to any Competitive Bid Quote Request; provided that, if the Company's request under Section 2.03(b) hereof specified more than one Interest Period and/or type of Competitive Bid Loan, such Bank may make a single submission containing a separate offer for each such Interest Period and for each such type and each such separate offer shall be deemed to be a separate Competitive Bid Quote. Each Competitive Bid Quote must be submitted to the Agent not later than (x) 2:00 p.m. New York time on the fourth Business Day prior to the proposed date of borrowing, in the case of a LIBOR Auction or (y) 10:00 a.m. New

York time on the Quotation Date, in the case of a Set Rate Auction (or, in any such case, such other time and date as the Company and the Agent, with the consent of the Majority Banks, may agree with notice by the Agent to the Banks of such agreement); provided that any Competitive Bid Quote submitted by Chase (or its Applicable Lending Office) may be submitted, and may only be submitted, if Chase (or such Applicable Lending Office) notifies the Company of the terms of the offer contained therein not later than (x) 1:00 p.m. New York time on the fourth Business Day prior to the proposed date of borrowing, in the case of a LIBOR Auction or (y) 9:45 a.m. New York time on the Quotation Date, in the case of a Set Rate Auction. Subject to Sections 5.02(b), 5.03, 6.02 and 9 hereof, any Competitive Bid Quote so made shall be irrevocable except with the written consent of the Agent given on the instructions of the Company.

(ii) Each Competitive Bid Quote shall specify:

(A) the proposed date of borrowing and the Interest Period therefor;

(B) the principal amount of the Competitive Bid Loan for which each such offer is being made, which principal amount (x) may be greater than or less than the unused Commitment of the quoting Bank, (y) shall be \$10,000,000 or an integral multiple of \$5,000,000 in excess thereof and (z) may not exceed the principal amount of the Competitive Bid Borrowing for which offers were requested;

(C) in the case of a LIBOR Auction, the margin above or below the applicable LIBOR Rate (the "Competitive Bid Margin") offered for each such Competitive Bid Loan, expressed as a percentage (rounded upwards, if necessary, to the nearest 1/10,000th of 1%) to be added to or subtracted from the applicable LIBOR Rate;

(D) in the case of a Set Rate Auction, the rate of interest per annum (rounded upwards, if necessary, to the nearest 1/10,000th of 1%) (the "Competitive Bid Rate") offered for each such Competitive Bid Loan; and

(E) the identity of the quoting Bank.

No Competitive Bid Quote shall contain qualifying, conditional or similar language or propose terms other than or in addition to those set forth in the applicable Competitive Bid Quote Request and, in particular, no Competitive Bid Quote may be conditioned upon acceptance by the Company of all (or some specified minimum) of the principal amount of the Competitive Bid Loan for which such Competitive Bid Quote is being made; provided that the submission by any Bank containing more than one Competitive Bid Quote may be conditioned on offers contained in such submission not being accepted to the extent that it would result in such Bank making Competitive Bid Loans pursuant thereto in excess of a specified aggregate amount (the "Competitive Bid Loan Limit").

(d) The Agent shall (x) in the case of a Set Rate Auction, as promptly as practicable after the Competitive Bid Quote is submitted (but in any event not later than 10:15 a.m. New York time) or (y) in the case of a LIBOR Auction, by 4:00 p.m. New York time on the day a Competitive Bid Quote is submitted, notify the Company of the terms (i) of any Competitive Bid Quote submitted by a Bank that is in accordance with Section 2.03(c) hereof and (ii) of any Competitive Bid Quote that amends, modifies or is otherwise inconsistent with a previous Competitive Bid Quote submitted by such Bank with respect to the

same Competitive Bid Quote Request. Any such subsequent Competitive Bid Quote shall be disregarded by the Agent unless such subsequent Competitive Bid Quote is submitted solely to correct a manifest error in such former Competitive Bid Quote. The Agent's notice to the Company shall specify (A) the aggregate principal amount of the Competitive Bid Borrowing for which offers have been received and (B) the respective principal amounts and Competitive Bid Margins or Competitive Bid Rates, as the case may be, so offered by each Bank (identifying the Bank that made each Competitive Bid Quote).

(e) Not later than (x) 11:00 a.m. New York time on the third Business Day prior to the proposed date of borrowing, in the case of a LIBOR Auction or (y) 11:00 a.m. New York time on the Quotation Date, in the case of a Set Rate Auction (or, in any such case, such other time and date as the Company and the Agent, with the consent of the Majority Banks, may agree with notice by the Agent to the Banks of such agreement), the Company shall notify the Agent of its acceptance or nonacceptance of the offers so notified to it pursuant to Section 2.03(d) hereof (and the failure by the Company to notify the Agent of its acceptance of an offer as provided above shall be deemed to be nonacceptance by the Company of such offer), and the Agent shall promptly notify each affected Bank. In the case of acceptance, such notice by the Agent shall specify the aggregate principal amount of offers for each Interest Period that are accepted and the lowest and highest Competitive Bid Margins and Competitive Bid Rates that were accepted for each Interest Period. The Company may accept any Competitive Bid Quote in whole or in part (provided that any Competitive Bid Quote accepted in part from any Bank shall be \$10,000,000 or an integral multiple of \$5,000,000 in excess thereof); provided that:

(i) the aggregate principal amount of each Competitive Bid Borrowing may not exceed the applicable amount set forth in the related Competitive Bid Quote Request;

(ii) the aggregate principal amount of each Competitive Bid Borrowing shall be \$10,000,000 or an integral multiple of \$5,000,000 in excess thereof, but shall not cause the limits specified in Section 2.03(a) hereof to be violated;

(iii) acceptance of offers may only be made in ascending order of Competitive Bid Margins or Competitive Bid Rates, as the case may be, in each case beginning with the lowest rates so offered;

(iv) the Company may not accept any offer if the Agent has advised the Company that such offer fails to comply with Section 2.03(c)(ii) hereof or otherwise fails to comply with the requirements of this Agreement (including, without limitation, Section 2.03(a) hereof); and

(v) the aggregate principal amount of each Competitive Bid Borrowing from any Bank may not exceed any applicable Competitive Bid Loan Limit of such Bank.

If offers are made by two or more Banks with the same Competitive Bid Margins or Competitive Bid Rates, as the case may be, for a greater aggregate principal amount than the amount in respect of which offers are permitted to be accepted for the related Interest Period, the principal amount of Competitive Bid Loans in respect of which such offers are accepted shall be allocated by the Company among such Banks as nearly as possible (in integral multiples of \$5,000,000) in proportion to the aggregate principal amount of such offers. Determinations by the Company of the amounts of Competitive Bid Loans shall be conclusive in the absence of manifest error.

(f) Any Bank whose offer to make any Competitive Bid Loan has been accepted shall, not later than 1:00 p.m. New York time on the date specified for the making of such Loan, make the amount of such Loan available to the Agent at the Principal Office in immediately available funds. The amount so received by the Agent shall, subject to the terms and conditions of this Agreement, be made available to the Company on such date by depositing the same, in immediately available funds, in an account of the Company maintained with Chase at the Principal Office designated by the Company.

(g) Except for the purpose and to the extent expressly stated in Section 2.04(a) hereof, the amount of any Competitive Bid Loan made by any Bank shall not constitute a utilization of such Bank's Commitment.

#### 2.04 Changes of Commitments.

(a) The Company shall have the right to terminate or reduce the unused amount of the Commitments (solely for which purpose the amount of any Competitive Bid Borrowing shall be deemed to be a pro rata (based upon Commitments) utilization of each Bank's Commitment) at any time or from time to time upon not less than three Business Days' prior notice to the Agent (which shall promptly notify the Banks) of each such termination or reduction, which notice shall specify the effective date thereof and the amount of any such reduction (which shall be \$10,000,000 or an integral multiple of \$1,000,000 in excess thereof) and shall be irrevocable and effective only upon receipt by the Agent.

(b) The Commitments once terminated or reduced may not be reinstated.

(c) If any Bank requests compensation pursuant to Section 5.01 hereof (other than compensation requested under Section 5.01(e) hereof), the Company may, so long as no Default shall have occurred and be continuing, require that such Bank transfer all or a portion of its rights and obligations (including, without limitation, its Loans and Commitment) as a "Bank" under this Agreement and such Bank's Notes to one or more banks (such bank or banks being herein referred to as the "Replacement Bank(s)") identified by the Company in a notice (the "Replacement Notice") to the Agent (which shall promptly notify the affected Bank) specifying the date on which such transfer is to occur and whether all or a portion of said rights and obligations are proposed to be transferred, which notice shall be given not less than 10 Business Days prior to the date on which such transfer is to occur; provided that no such transfer shall be made unless (i) the Agent shall have consented to the identity of the Replacement Bank(s), which consent shall not be unreasonably withheld or delayed, (ii) the aggregate amount of compensation that would be requested by the Replacement Bank(s) under Section 5.01 hereof would be less than the aggregate amount of compensation requested by the affected Bank in respect of the rights and obligations proposed to be transferred, (iii) the Commitment proposed to be transferred to the Replacement Bank(s), together with the aggregate amount of the Commitments transferred pursuant to this Section 2.04(c) during the preceding period of 12 months shall not exceed 17.5% of the aggregate amount of the Commitments as in effect on the date of the proposed transfer and (iv) the amount of the Commitment proposed to be transferred to any Replacement Bank shall be at least \$10,000,000 (or, if less than \$10,000,000, the entire Commitment of the affected Bank). On the date of any transfer permitted under this Section 2.04(c), (x) the affected Bank shall sell, assign and transfer to the Replacement Bank(s), and the Replacement Bank(s) shall acquire

and assume from the affected Bank, all (or the lesser portion specified in the Replacement Notice) of the rights and obligations of the affected Bank as a "Bank" under this Agreement and under the affected Bank's Notes (collectively, the "Transferred Interest") and (y) the Company and/or the Replacement Bank(s) shall pay to the affected Bank an amount equal to all principal, interest, fees and other amounts then owing under this Agreement and the affected Bank's Notes in respect of the Transferred Interest (including, without limitation, any amounts which would be payable in respect of the Transferred Interest under Sections 5.01 and 5.05 hereof as if the affected Bank's Loans were being prepaid in full on such date), whereupon the Replacement Bank(s) shall become "Bank(s)" for all purposes of this Agreement having all the rights and obligations, including, without limitation, Commitment(s), under this Agreement of "Bank(s)" holding the Transferred Interest, and the obligations of the affected Bank in respect of the Transferred Interest shall terminate (provided that the obligations of the Company under Sections 5.01, 5.05 and 11.03 hereof to the affected Bank in respect of the Transferred Interest shall survive such transfer as provided in Section 11.07 hereof). If the Commitment of any Bank that is a Reference Bank (or whose Applicable Lending Office is a Reference Bank, as the case may be) shall terminate (other than pursuant to Section 9 hereof), such Reference Bank shall thereupon cease to be a Reference Bank and, if as a result of the foregoing, there shall be only two Reference Banks remaining, then the Agent (after consultation with the Company) shall, by notice to the Company and the Banks, designate another Bank as a Reference Bank.

#### 2.05 Fees.

(a) The Company shall pay to the Agent for account of each Bank a facility fee on the daily average amount of such Bank's Commitment (whether or not utilized) for the period from and including the date of this Agreement to but excluding the earlier of the date such Commitment is terminated or the Commitment Termination Date at a rate per annum equal to the Applicable Facility Fee Rate. Accrued facility fee shall be payable on each Quarterly Date and on the earlier of the date the Commitments are terminated or the Commitment Termination Date.

(b) The Company shall pay to the Agent for its own account agency fees in the amounts specified in the letter agreement dated October 25, 1993 from Chase to the Company, payable on the Quarterly Date occurring in September in each calendar year commencing with 1994 so long as the Commitments or any Loans are outstanding on such date. The Company shall also pay to the Agent for the Agent's account a fee of \$500 for each Competitive Bid Quote Request (for which purpose multiple Competitive Bid Quote Requests contained in a single request shall be deemed to be a single Competitive Bid Quote Request notwithstanding the provisions of the second sentence of Section 2.03(b) hereof), such fees to be payable in arrears on the last Business Day of each month.

2.06 Lending Offices. The Loans of each type made by each Bank shall be made and maintained at such Bank's Applicable Lending Office for Loans of such type.

2.07 Several Obligations; Remedies Independent. The failure of any Bank to make any Loan to be made by it on the date specified therefor shall not relieve any other Bank of its obligation to make any Loan to be made by such other Bank on such date, but no Bank shall be responsible for the failure of any other Bank to make a Loan to be made by such other Bank. The amounts payable by the Company at any time hereunder and under the Notes to each Bank shall be a separate and independent debt

and each Bank shall be entitled to protect and enforce its rights arising out of this Agreement and the Notes, and it shall not be necessary for any other Bank or the Agent to consent to, or be joined as an additional party in, any proceedings for such purposes.

#### 2.08 Notes.

(a) The Syndicated Loans made by each Bank shall be evidenced by a single promissory note of the Company in substantially the form of Exhibit A-1 hereto, dated the date of this Agreement, payable to such Bank in a principal amount equal to the amount of its Commitment as originally in effect and otherwise duly completed. The date, amount, type, interest rate and maturity date of each Syndicated Loan made by each Bank, and all payments made on account of the principal thereof, shall be recorded by such Bank on its books and, prior to any transfer of such Note held by it, endorsed by such Bank on the schedule attached to such Note or any continuation thereof; provided that the failure by such Bank to make such recordation or endorsement shall not relieve the Company of any of its obligations hereunder or under such Note.

(b) The Competitive Bid Loans made by each Bank shall be evidenced by a single promissory note of the Company in substantially the form of Exhibit A-2 hereto, dated the date of this Agreement, payable to such Bank and otherwise duly completed. The date, amount, type, interest rate and maturity date of each Competitive Bid Loan made by any Bank, and all payments made on account of the principal thereof, shall be recorded by such Bank on its books and, prior to any transfer of such Note held by it, endorsed by such Bank on the schedule attached to such Note or any continuation thereof; provided that the failure by such Bank to make such recordation or endorsement shall not relieve the Company of any of its obligations hereunder or under such Note.

(c) No Note may be subdivided, by exchange for promissory notes of lesser denominations or otherwise, except in connection with a permitted assignment of all or any portion of such Bank's Commitment, Loans and Note pursuant to Sections 11.06(b) and 11.06(e) hereof.

2.09 Prepayments. Subject to Section 5.05 hereof, the Company may prepay Syndicated Loans upon not less than three Business Days' prior notice to the Agent (which shall promptly notify the Banks), which notice shall specify the prepayment date (which shall be a Business Day) and the amount of the prepayment (which shall be \$10,000,000 or an integral multiple of \$1,000,000 in excess thereof) and shall be irrevocable and effective only upon receipt by the Agent (and, upon the date specified in any such notice of prepayment, the amount to be prepaid shall become due and payable hereunder), provided that interest on the principal prepaid, accrued to the prepayment date, shall be paid on the prepayment date. The Company may not prepay any Competitive Bid Loans (provided that this sentence shall not affect the Company's obligation to pay Loans pursuant to Section 9 hereof).

#### Section 3. Payments of Principal and Interest.

3.01 Repayment of Loans. The Company will pay to the Agent for account of each Bank the principal of each Loan made by such Bank, and each Loan shall mature, on the last day of the Interest Period therefor.

3.02 Interest. The Company will pay to the Agent for account of each Bank interest on the unpaid principal amount of

each Loan made by such Bank for the period commencing on the date of such Loan to but excluding the date such Loan shall be paid in full, at the following rates per annum:

(a) if such Loan is a Base Rate Loan, the Base Rate (as in effect from time to time) plus the Applicable Margin (if any);

(b) if such Loan is a Fixed Rate Loan, the Fixed Rate for such Loan for the Interest Period therefor plus the Applicable Margin;

(c) if such Loan is a LIBOR Bid Loan, the LIBOR Rate for such Loan for the Interest Period therefor plus (or minus) the Competitive Bid Margin quoted by the Bank making such Loan in accordance with Section 2.03 hereof; and

(d) if such Loan is a Set Rate Loan, the Competitive Bid Rate for such Loan for the Interest Period therefor quoted by the Bank making such Loan in accordance with Section 2.03 hereof.

Notwithstanding the foregoing, the Company will pay to the Agent for account of each Bank interest at the applicable Post-Default Rate on any principal of any Loan made by such Bank, and (to the fullest extent permitted by the law of the State of New York) on any other amount payable by the Company hereunder or under the Note held by such Bank to or for account of such Bank, which shall not be paid in full when due (whether at stated maturity, by acceleration or otherwise), for the period commencing on the due date thereof until the same is paid in full. Accrued interest on each Loan shall be payable on the last day of the Interest Period therefor and, if such Interest Period is longer than 90 days (in the case of a Set Rate Loan) or three months (in the case of a Eurodollar Loan or a LIBOR Bid Loan), at 90-day or three-month intervals, respectively, following the first day of such Interest Period, except that interest payable at the Post-Default Rate shall be payable from time to time on demand and interest on any Fixed Rate Loan that is converted into a Base Rate Loan (pursuant to Section 5.04 hereof) shall be payable on the date of conversion (but only to the extent so converted). Promptly after the determination of any interest rate provided for herein or any change therein, the Agent shall notify the Banks to which such interest is payable and the Company thereof.

Section 4. Payments; Pro Rata Treatment; Computations; Etc.

4.01 Payments. Except to the extent otherwise provided herein, all payments of principal, interest and other amounts to be made by the Company under this Agreement and the Notes shall be made in Dollars, in immediately available funds, to the Agent at account number NYAO-DI-900-9-000002 maintained by the Agent with Chase at the Principal Office, not later than 1:00 p.m. New York time on the date on which such payment shall become due (each such payment made after such time on such due date to be deemed to have been made on the next succeeding Business Day). Any Bank for whose account any such payment is to be made, may (but shall not be obligated to) debit the amount of any such payment which is not made by such time to any ordinary deposit account of the Company with such Bank (with notice to the Company and the Agent). The Company shall, at the time of making each payment under this Agreement or any Note for account of any Bank, specify to the Agent the Loans or other amounts payable by the Company hereunder to which such payment is to be applied (and in the event that it fails to so specify, or if an Event of Default has occurred and is continuing, the Agent shall distribute such payment to the Banks pro rata (based on the

amounts then due and payable hereunder to the Banks) and each Bank may apply the portion of such payment received by it to such amounts then due and payable hereunder to such Bank as such Bank may determine). Each payment received by the Agent under this Agreement or any Note for account of a Bank shall be paid promptly to such Bank, in immediately available funds, and, in the case of principal or interest on any Loan, for account of such Bank's Applicable Lending Office for such Loan. If the due date of any payment under this Agreement or any Note would otherwise fall on a day which is not a Business Day such date shall be extended to the next succeeding Business Day, and interest shall be payable for any principal so extended for the period of such extension.

4.02 Pro Rata Treatment. Except to the extent otherwise provided herein: (a) each borrowing from the Banks under Section 2.01 hereof shall be made from the Banks, each payment of facility fee under Section 2.05(a) hereof shall be made for account of the Banks, and each termination or reduction of the amount of the Commitments under Section 2.04 hereof shall be applied to the Commitments of the Banks, pro rata according to the amounts of their respective Commitments; (b) each payment of principal of Syndicated Loans by the Company shall be made for account of the Banks pro rata in accordance with the respective unpaid principal amounts of the Syndicated Loans held by the Banks; and (c) each payment of interest on Syndicated Loans by the Company shall be made for account of the Banks pro rata in accordance with the amounts of interest on Syndicated Loans due and payable to the respective Banks.

4.03 Computations. Interest on Competitive Bid Loans and Fixed Rate Loans, and facility fees payable pursuant to Section 2.05(a) hereof, respectively, shall be computed on the basis of a year of 360 days and actual days elapsed (including the first day but excluding the last day) occurring in the period for which payable, and interest on Base Rate Loans shall be computed on the basis of a year of 365 or 366 days, as the case may be (or, for each day the interest on Base Rate Loans is calculated by reference to the Federal Funds Rate, on a year of 360 days), and actual days elapsed (including the first day but excluding the last day) occurring in the period for which payable.

4.04 Non-Receipt of Funds by the Agent. Unless the Agent shall have been notified by a Bank or the Company (each, a "Payor") prior to the date on which the Payor is to make payment to the Agent of (in the case of a Bank) the proceeds of a Loan to be made by it hereunder or (in the case of the Company) a payment to the Agent for account of one or more of the Banks hereunder (such payment being herein called the "Required Payment"), which notice shall be effective upon receipt, that it does not intend to make the Required Payment to the Agent, the Agent may assume that the Required Payment has been made and may, in reliance upon such assumption (but shall not be required to), make the amount thereof available to the intended recipient(s) on such date; and, if the Payor has not in fact made the Required Payment to the Agent, the recipient(s) of such payment shall, on demand, repay to the Agent the amount so made available together with interest thereon in respect of each day during the period commencing on the date such amount was so made available by the Agent until the date the Agent recovers such amount at a rate per annum equal to the Federal Funds Rate for such day.

4.05 Sharing of Payments, Etc. The Company agrees that, in addition to (and without limitation of) any right of set-off, bankers' lien or counterclaim a Bank may otherwise have, each Bank shall be entitled, at its option, to offset balances held by such Bank or any of its affiliates at any of their



respective offices for account of the Company, in Dollars or in any other currency, against any principal of or interest on any of such Bank's Loans, or any other amount payable to such Bank hereunder, which is not paid when due (regardless of whether such balances are then due to the Company), in which case it shall promptly notify the Company and the Agent thereof, provided that such Bank's failure to give such notice shall not affect the validity thereof. If any Bank shall obtain payment of any principal of or interest on any Syndicated Loan made by it to the Company under this Agreement through the exercise of any right of set-off, banker's lien or counterclaim or similar right or otherwise, and, as a result of such payment, such Bank shall have received a greater percentage of the principal or interest then due hereunder by the Company to such Bank in respect of Syndicated Loans than the percentage received by any other Banks, it shall promptly purchase from such other Banks participations in (or, if and to the extent specified by such Bank, direct interests in) the Syndicated Loans made by such other Banks (or in interest due thereon, as the case may be) in such amounts, and make such other adjustments from time to time as shall be equitable, to the end that all the Banks shall share the benefit of such excess payment (net of any expenses which may be incurred by such Bank in obtaining or preserving such excess payment) pro rata in accordance with the unpaid principal and/or interest on the Syndicated Loans held by each of the Banks. To such end all the Banks shall make appropriate adjustments among themselves (by the resale of participations sold or otherwise) if such payment is rescinded or must otherwise be restored. The Company agrees that any Bank so purchasing a participation (or direct interest) in the Syndicated Loans made by other Banks (or in interest due thereon, as the case may be) may exercise all rights of set-off, bankers' lien, counterclaim or similar rights with respect to such participation (or direct interest) as fully as if such Bank were a direct holder of Loans in the amount of such participation. Nothing contained herein shall require any Bank to exercise any such right or shall affect the right of any Bank to exercise, and retain the benefits of exercising, any such right with respect to any other indebtedness (including, without limitation, Competitive Bid Loans) or obligation of the Company. If under any applicable bankruptcy, insolvency or other similar law, any Bank receives a secured claim in lieu of a set-off to which this Section 4.05 applies, such Bank shall, to the extent practicable, exercise its rights in respect of such secured claim in a manner consistent with the rights of the Banks entitled under this Section 4.05 to share in the benefits of any recovery on such secured claim.

## Section 5. Yield Protection and Illegality.

### 5.01 Additional Costs.

(a) The Company shall pay directly to each Bank from time to time such amounts as such Bank may determine to be necessary to compensate it for any costs which such Bank determines are attributable to its making or maintaining of any Fixed Rate Loans or its obligation to make any Fixed Rate Loans hereunder, or any reduction in any amount receivable by such Bank hereunder in respect of any of such Loans or such obligation (such increases in costs and reductions in amounts receivable being herein called "Additional Costs"), resulting from any Regulatory Change which: (i) changes the basis of taxation of any amounts payable to such Bank under this Agreement or its Notes in respect of any of such Loans (other than taxes imposed on the overall net income of such Bank or of its Applicable Lending Office for any of such Loans by the jurisdiction in which such Bank has its principal office or such Applicable Lending Office); or (ii) imposes or modifies any reserve, special deposit, minimum capital, capital ratio or similar requirements

relating to any extensions of credit or other assets of, or any deposits with or other liabilities of, such Bank (including any of such Loans or any deposits referred to in the definition of "Fixed Base Rate" in Section 1.01 hereof), or any Commitment of such Bank; or (iii) imposes any other condition affecting this Agreement or its Notes (or any of such extensions of credit or liabilities) or Commitment. Each Bank will designate a different Applicable Lending Office for the Loans of such Bank affected by such event if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the sole opinion of such Bank, be disadvantageous to such Bank, provided that such Bank shall have no obligation to so designate an Applicable Lending Office located in the United States. If any Bank requests compensation from the Company under this Section 5.01(a), the Company may, by notice to such Bank (with a copy to the Agent), suspend the obligation of such Bank to make additional Loans of the type with respect to which such compensation is requested until the Regulatory Change giving rise to such request ceases to be in effect (in which case the provisions of Section 5.04 hereof shall be applicable).

(b) Without limiting the effect of the provisions of Section 5.01(a) hereof, in the event that, by reason of any Regulatory Change, any Bank either (i) incurs Additional Costs based on or measured by the excess above a specified level of the amount of a category of deposits or other liabilities of such Bank which includes deposits by reference to which the interest rate on Eurodollar Loans is determined as provided in this Agreement or a category of extensions of credit or other assets of such Bank which includes Eurodollar Loans or (ii) becomes subject to restrictions on the amount of such a category of liabilities or assets which it may hold, then, if such Bank so elects by notice to the Company (with a copy to the Agent), the obligation of such Bank to make additional Loans of such type hereunder shall be suspended until such Regulatory Change ceases to be in effect (in which case the provisions of Section 5.04 hereof shall be applicable).

(c) Without limiting the effect of the foregoing provisions of this Section 5.01 (but without duplication), the Company shall pay directly to each Bank from time to time on request such amounts as such Bank may determine to be necessary to compensate such Bank or any corporation controlling such Bank for any costs which such Bank determines are attributable to the maintenance by such Bank (or any Applicable Lending Office), pursuant to any law or regulation or any interpretation, directive or request (whether or not having the force of law) of any court or governmental or monetary authority (i) following any Regulatory Change or (ii) implementing any risk-based capital guideline or other requirement heretofore or hereafter issued by any government or governmental authority implementing at the national level the Basle Accord (including, without limitation, the Final Risk-Based Capital Guidelines), of capital in respect of its Commitment (such compensation to include, without limitation, an amount equal to any reduction of the rate of return on assets or equity of such Bank (or any Applicable Lending Office) or any corporation controlling such Bank to a level below that which such Bank (or any Applicable Lending Office) or such corporation could have achieved but for such law, regulation, interpretation, directive or request). Each Bank will notify the Company that it is entitled to compensation pursuant to this Section 5.01(c) as promptly as practicable after it determines to request such compensation.

(d) Each Bank will furnish the Company with a certificate setting forth the basis, calculation and amount of each request by such Bank for compensation under paragraph (a), (c) or (e) of this Section 5.01. Notwithstanding anything in

this Section 5.01 to the contrary, compensation with respect to any event entitling any Bank to compensation under paragraph (a) or (c) of this Section 5.01 shall be payable to such Bank only for costs incurred by such Bank from and after the date 45 days after such Bank furnishes to the Company notice of its intention to request the payment of compensation with respect to such event. Determinations and allocations by any Bank for purposes of this Section 5.01 of the effect of any Regulatory Change pursuant to Section 5.01(a) or (b) hereof, or of the effect of capital maintained pursuant to Section 5.01(c) hereof, on its costs or rate of return of maintaining Loans or its obligation to make Loans, or on amounts receivable by it in respect of Loans, and of the amounts required to compensate such Bank under this Section 5.01, shall be conclusive, provided that such determinations and allocations are made on a reasonable basis.

(e) Without limiting the effect of the foregoing, the Company shall pay to each Bank on the last day of each Interest Period (or, if later, on the date of the notice provided for below) so long as such Bank is maintaining reserves against "Eurocurrency liabilities" under Regulation D (or, unless the provisions of paragraph (b) above are applicable, so long as such Bank is, by reason of any Regulatory Change, maintaining reserves against any other category of liabilities which includes deposits by reference to which the interest rate on Eurodollar Loans is determined as provided in this Agreement or against any category of extensions of credit or other assets of such Bank which includes any Eurodollar Loans) an additional amount (determined by such Bank and notified to the Company through the Agent within 45 days after the last day of such Interest Period) equal to the product of the following for each Eurodollar Loan for each day during such Interest Period:

(i) the principal amount of such Eurodollar Loan outstanding on such day; and

(ii) the remainder of (x) a fraction the numerator of which is the rate (expressed as a decimal) at which interest accrues on such Eurodollar Loan for such Interest Period as provided in this Agreement (less the Applicable Margin) and the denominator of which is one minus the effective rate (expressed as a decimal) at which such reserve requirements are imposed on such Bank on such day minus (y) such numerator; and

(iii) 1/360.

5.02 Limitation on Types of Loans. Anything herein to the contrary notwithstanding, if, on or prior to the determination of any Fixed Base Rate for any Interest Period:

(a) the Agent determines (which determination shall be conclusive) that quotations of interest rates for the relevant deposits referred to in the definition of "Fixed Base Rate" in Section 1.01 hereof are not being provided in the relevant amounts or for the relevant maturities for purposes of determining rates of interest for any type of Fixed Rate Loans as provided herein; or

(b) the Majority Banks determine (or any Bank that has outstanding a Competitive Bid Quote with respect to a LIBOR Bid Loan determines), which determination shall be conclusive, and notify (or notifies, as the case may be) the Agent that the relevant rates of interest referred to in the definition of "Fixed Base Rate" in Section 1.01 hereof upon the basis of which the rate of interest for Eurodollar Loans (or LIBOR Bid Loans, as the case may be) for such Interest Period is to be determined are not likely adequately to

cover the cost to such Banks (or to such quoting Bank) of making or maintaining such type of Loans;

then the Agent shall give the Company and each Bank prompt notice thereof, and so long as such condition remains in effect, the Banks (or such quoting Bank) shall be under no obligation to make additional Loans of such type.

5.03 Illegality. Notwithstanding any other provision of this Agreement, in the event that it becomes unlawful for any Bank or its Applicable Lending Office to honor its obligation to make or maintain Eurodollar Loans and LIBOR Bid Loans hereunder, then such Bank shall promptly notify the Company thereof (with a copy to the Agent) and such Bank's obligation to make Eurodollar Loans shall be suspended until such time as such Bank may again make and maintain Eurodollar Loans (in which case the provisions of Section 5.04 hereof shall be applicable), and such Bank shall no longer be obligated to make any LIBOR Bid Loan that it has offered to make.

5.04 Base Rate Loans Pursuant to Sections 5.01 and 5.03. If the obligation of any Bank to make Fixed Rate Loans shall be suspended pursuant to Section 5.01 or 5.03 hereof (Loans of such type being herein called "Affected Loans" and such type being herein called the "Affected Type"), all Loans (other than Competitive Bid Loans) which would otherwise be made by such Bank as Loans of the Affected Type shall be made instead as Base Rate Loans (and, if an event referred to in Section 5.01(b) or 5.03 hereof has occurred and such Bank so requests by notice to the Company with a copy to the Agent, all Affected Loans of such Bank then outstanding shall be automatically converted into Base Rate Loans on the date specified by such Bank in such notice) and, to the extent that Affected Loans are so made as (or converted into) Base Rate Loans, all payments of principal which would otherwise be applied to such Bank's Affected Loans shall be applied instead to its Base Rate Loans.

5.05 Compensation. The Company shall pay to the Agent for account of each Bank, upon the request of such Bank through the Agent, such amount or amounts as shall be sufficient (in the reasonable opinion of such Bank) to compensate it for any loss, cost or expense which such Bank determines is attributable to:

(a) any payment or conversion of a Fixed Rate Loan or a Set Rate Loan for any reason (including, without limitation, under Section 5.04 hereof or by reason of the acceleration of the Loans pursuant to Section 9 hereof) on a date other than the last day of the Interest Period for such Loan; or

(b) any failure by the Company for any reason (including, without limitation, the failure of any of the conditions precedent specified in Section 6 hereof to be satisfied) to borrow a Fixed Rate Loan or a Set Rate Loan (with respect to which, in the case of a Competitive Bid Loan, the Company has accepted a Competitive Bid Quote) from such Bank on the date for such borrowing specified in the relevant notice of borrowing given pursuant to Section 2.02 or 2.03(b) hereof.

Without limiting the effect of the preceding sentence, such compensation shall include an amount equal to the excess, if any, of (i) the amount of interest which otherwise would have accrued on the principal amount so paid or converted or not borrowed for the period from the date of such payment, conversion or failure to borrow to the last day of the Interest Period for such Loan (or, in the case of a failure to borrow, the Interest Period for such Loan which would have commenced on the date specified for

such borrowing) at the applicable rate of interest for such Loan provided for herein over (ii) the interest component of the amount such Bank would have bid in the London interbank market (if such Loan is a Eurodollar Loan or a LIBOR Bid Loan) or the United States certificate of deposit market for issuance at face value of certificates of deposit (if such Loan is a Set Rate Loan) for Dollar deposits in amounts comparable to such principal amount and with maturities comparable to such period (as reasonably determined by such Bank).

Section 6. Conditions Precedent.

6.01 Initial Loan. The obligation of the Banks to make the initial Loans hereunder is subject to the receipt by the Agent of the following documents and the occurrence of the following events, as the case may be, each of which shall be satisfactory to the Agent in form and substance:

(a) Certified copies of the charter and by-laws of the Company and all corporate action taken by the Company approving this Agreement and the Notes and borrowings by the Company hereunder (including, without limitation, a certificate setting forth the resolutions of the Board of Directors of the Company adopted in respect of the transactions contemplated hereby).

(b) A certificate of the Company in respect of each of the officers (i) who is authorized to sign this Agreement or the Notes on its behalf and (ii) who will, until replaced by another officer or officers duly authorized for that purpose, act as its representative for the purposes of signing documents and giving notices and other communications in connection with this Agreement and the transactions contemplated hereby. The Agent and each of the Banks may conclusively rely on such certificate until it receives notice in writing from the Company to the contrary.

(c) A certificate of a senior officer of the Company to the effect set forth in the first sentence of Section 6.02 hereof.

(d) An opinion of the attorney then acting as general counsel of the Company, substantially in the form of Exhibit B hereto (and the Company hereby instructs such counsel to deliver such opinion to the Banks and the Agent).

(e) An opinion of Milbank, Tweed, Hadley & McCloy, special New York counsel to the Banks, substantially in the form of Exhibit C hereto.

(f) The Syndicated Notes, duly completed and executed.

(g) The Competitive Bid Notes, duly completed and executed.

(h) Evidence that any commitments to extend credit under the Existing Credit Agreement shall have been terminated.

(i) A certificate of an authorized financial or accounting officer of the Company setting forth the Leverage Ratio as at September 30, 1993.

(j) Such other documents as the Agent or any Bank or special New York counsel to the Banks may reasonably request.

6.02 Initial and Subsequent Loans. The obligation of

any Bank to make any Loan (including any Competitive Bid Loan and such Bank's initial Syndicated Loan) to the Company upon the occasion of each borrowing hereunder is subject to the further conditions precedent that, as of the date of such Loan and after giving effect thereto:

(a) no Event of Default and, if such borrowing is a Competitive Bid Loan or will increase the outstanding aggregate principal amount of the Syndicated Loans, no Default shall have occurred and be continuing; and

(b) the representations and warranties made by the Company in Section 7 hereof (other than, if such borrowing is not a Competitive Bid Loan and will not increase the outstanding aggregate principal amount of the Syndicated Loans, the last sentence of Section 7.02 hereof and Section 7.03 hereof) shall be true in all material respects on and as of the date of the making of such Loan with the same force and effect as if made on and as of such date.

Each notice of borrowing by the Company hereunder shall constitute a certification by the Company to the effect set forth in the preceding sentence (both as of the date of such notice and, unless the Company otherwise notifies the Agent prior to the date of such borrowing, as of the date of such borrowing).

Section 7. Representations and Warranties. The Company represents and warrants to the Banks that:

7.01 Corporate Existence. Each of the Company and the Material Subsidiaries: (a) is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation; (b) has all requisite corporate power, and has all material governmental licenses, authorizations, consents and approvals, necessary to own its assets and carry on its business as now being conducted; and (c) is qualified to do business and is in good standing in all jurisdictions in which the failure to so qualify would have a material adverse effect on the business, financial condition or operations of the Company and the Subsidiaries taken as a whole.

7.02 Financial Condition. The consolidated statement of financial position of the Company and the Subsidiaries as at December 31, 1992 and the related consolidated statements of operations, changes in shareholders' equity and cash flows of the Company and the Subsidiaries for the fiscal year ended on said date, with the opinion thereon of Deloitte and Touche, and the unaudited consolidated statement of financial position of the Company and the Subsidiaries as at September 30, 1993 and the related consolidated statements of operations, changes in shareholders' equity and cash flows of the Company and the Subsidiaries for the nine-month period ended on such date, heretofore furnished to each of the Banks, are complete and fairly present the consolidated financial condition of the Company and the Subsidiaries as at said date and the consolidated results of their operations for the fiscal year and nine-month period ended on said dates (subject, in the case of such financial statements as at September 30, 1993, to normal year-end adjustments), all in accordance with generally accepted accounting principles and practices applied on a consistent basis. Neither the Company nor any of the Subsidiaries had on said dates any material contingent liabilities, liabilities for taxes, unusual forward or long-term commitments or unrealized or anticipated losses from any unfavorable commitments, except as referred to or reflected or provided for in said statements of financial position as at said dates. Except as expressly disclosed in writing to the Banks prior to the date of this Agreement, since December 31, 1992, there has been no material

adverse change in the consolidated financial condition or operations, or the prospects or business taken as a whole, of the Company and the Subsidiaries from that set forth in said financial statements as at said date.

7.03 Litigation. There are no legal or arbitral proceedings or any proceedings by or before any governmental or regulatory authority or agency, now pending or (to the knowledge of the Company) threatened against the Company or any Material Subsidiary which, if adversely determined, would result, in the opinion of the Company, in any material adverse change in the business or the financial condition of the Company or such Material Subsidiary except as heretofore disclosed to the Banks in the Company's Annual Report on Form 10-K for the calendar year ended December 31, 1992 and the Company's Quarterly Reports on Form 10-Q for the calendar quarters ended March 31, 1993, June 30, 1993 and September 30, 1993, copies of which have been furnished to the Banks.

7.04 No Breach. None of the execution and delivery of this Agreement and the Notes, the consummation of the transactions herein contemplated and compliance with the terms and provisions hereof will conflict with or result in a breach of, or require any consent under, the charter or by-laws of the Company, or any applicable law or regulation, or any order, writ, injunction or decree of any court or governmental authority or agency, or any agreement or instrument to which the Company or any Material Subsidiary is a party or by which it is bound or to which it is subject, or constitute a default under any such agreement or instrument, or result in the creation or imposition of any Lien upon any of the revenues or assets of the Company or any Material Subsidiary pursuant to the terms of any such agreement or instrument.

7.05 Corporate Action. The Company has all necessary corporate power and authority to execute, deliver and perform its obligations under this Agreement and the Notes; and the execution, delivery and performance by the Company of this Agreement and the Notes have been duly authorized by all necessary corporate action on its part; and this Agreement has been duly and validly executed and delivered by the Company and constitutes, and each of the Notes when executed and delivered for value will constitute, its legal, valid and binding obligation, enforceable in accordance with its terms, except as such enforceability may be limited by (a) bankruptcy, insolvency, reorganization, moratorium or other similar laws of general applicability affecting the enforcement of creditors' rights and (b) the application of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

7.06 Approvals. No authorizations, approvals, consents or licenses of, and no filings or registrations with, any governmental or regulatory authority or agency are necessary for the execution, delivery or performance by the Company of this Agreement or the Notes or for the validity or enforceability hereof or thereof or to borrow hereunder.

7.07 Use of Loans. Neither the Company nor any Subsidiary is engaged principally, or as one of its important activities, in the business of extending credit for the purpose, whether immediate, incidental or ultimate, of buying or carrying margin stock (within the meaning of Regulation U or X), and no part of the proceeds of any Loan hereunder will be used, directly or indirectly, to buy or carry any margin stock in violation of Regulation X. At the request of any Bank, the Company will furnish to such Bank in connection with any Loan a statement in conformity with the requirements of Form U-1 referred to in

Regulation U.

7.08 ERISA. Each of the Company and the ERISA Affiliates has fulfilled its obligations under the minimum funding standards of ERISA and the Code with respect to each Plan, is in compliance in all material respects with the presently applicable provisions of ERISA and the Code and has not incurred any liability to the PBGC or any Plan or Multiemployer Plan (other than a liability to make payments or contributions in the ordinary course of business). No Termination Event has occurred and is continuing. As used in this Agreement, the term "Termination Event" shall mean any event or condition which might constitute grounds under Section 4042 of ERISA for the termination of, or for the appointment of a trustee to administer, any Plan and which involves a liability of the Company to PBGC in excess of \$25,000,000.

7.09 Taxes. United States Federal income tax returns of the Company and its Material Subsidiaries have been examined and reported on by the Internal Revenue Service or closed by applicable statutes and satisfied through the fiscal year of the Company ended December 31, 1985. Each of the Company and the Subsidiaries has filed all United States Federal and State income tax returns which, to the knowledge of the officers of the Company, are required to be filed by it and has paid all taxes due pursuant to such returns or pursuant to any assessment received by the Company or any Subsidiary to the extent that such taxes have become due (except as to such taxes which are being contested in good faith by appropriate proceedings). The charges, accruals and reserves on the books of the Company and the Subsidiaries in respect of taxes and other governmental charges are, in the opinion of the Company, adequate. The California Franchise tax returns of the Company have been examined and reported on by the California Franchise Tax Board or closed by applicable statutes and satisfied for all fiscal years prior to, and including, the fiscal year ended December 31, 1985.

7.10 Funded Debt. As of the date of this Agreement, no default exists under the provisions of any instrument evidencing Funded Debt or of any agreement relating thereto.

7.11 Properties. The Company has, and each of the Material Subsidiaries has, good and marketable title to its respective properties and assets, including the properties and assets reflected in the balance sheet as at December 31, 1992 hereinabove described (other than properties and assets disposed of in the ordinary course of business), subject to no Lien of any kind except Liens permitted by Section 8.11 hereof.

7.12 Environmental Matters.

(a) Except as disclosed in the Company's Annual Report on Form 10-K for the calendar year ended December 31, 1992 and the Company's Quarterly Reports on Form 10-Q for the calendar quarters ended March 31, 1993, June 30, 1993 and September 30, 1993, neither the Company nor any Subsidiary (i) has received notice or otherwise obtained knowledge of any claim, demand, action, event, condition, report or investigation indicating or concerning any potential or actual liability which would individually or in the aggregate have a material adverse effect on the consolidated financial condition or operations, or the prospects or business taken as a whole, of the Company and the Subsidiaries arising in connection with: (1) any non-compliance with or violation of the requirements of any applicable Federal, state and local environmental health and safety statutes and regulations or (2) the release or threatened release of toxic or hazardous waste, substance or constituent, or other substance into the environment, (ii) has any threatened or actual liability



in connection with the release or threatened release of any toxic or hazardous waste, substance or constituent, or other substance into the environment which would individually or in the aggregate have a material adverse effect on the consolidated financial condition or operations, or the prospects or business taken as a whole, of the Company and the Subsidiaries, (iii) has received notice or otherwise obtained knowledge of any Federal or state investigation evaluating whether any remedial action is needed to respond to a release or threatened release of any toxic or hazardous waste, substance or constituent or other substance into the environment for which the Company or any Subsidiary is or may be liable, which remedial action would have a material adverse effect on the consolidated financial condition or operations, or the prospects or business taken as a whole, of the Company and the Subsidiaries or (iv) has received notice that the Company or any Subsidiary is or may be liable to any Person under the Comprehensive Environmental Response, Compensation, and Liability Act, as amended, 42 U.S.C. Sect. 9601 et seq. ("CERCLA"), or any analogous state law which liability would have a material adverse effect on the consolidated financial condition or operations, or the prospects or business taken as a whole, of the Company and the Subsidiaries.

(b) Each of the Company and each Subsidiary is in compliance with the financial responsibility requirements of all Federal and state environmental laws, including, without limitation, those contained in 40 C.F.R., Parts 264 and 265, Subpart H, and any similar state law requirements.

Section 8. Covenants of the Company. The Company agrees that, so long as any of the Commitments are in effect and until payment in full of all Loans hereunder, all interest thereon and all other amounts payable by the Company hereunder:

8.01 Financial Statements. The Company shall deliver to each of the Banks:

(a) within 120 days after the end of each fiscal year of the Company, (i) a consolidated statement of financial position of the Company and the Subsidiaries as at the close of such fiscal year and consolidated statements of operations, changes in shareholders' equity and cash flows of the Company and the Subsidiaries for such year, certified by Deloitte and Touche or by other independent public accountants selected by the Company and reasonably satisfactory to the Agent and (ii) a Combined Statement of Position and Income for such year;

(b) within 60 days after the end of each of the first three fiscal quarters of each fiscal year of the Company, (i) a consolidated statement of financial position of the Company and the Subsidiaries as at the end of such quarter and consolidated statements of operations, changes in shareholders' equity and cash flows of the Company and the Subsidiaries for such quarter and for the period from the beginning of the fiscal year to the end of such quarter, certified by an authorized financial or accounting officer of the Company and (ii) a Combined Statement of Position and Income for such fiscal quarter;

(c) within 120 days after the end of each fiscal year of the Company, a list (in reasonable detail) of the guarantees referred to in Section 8.09(d) hereof, as of the end of such year, certified by an authorized officer of the Company or authorized employee of the Company who is satisfactory to the Agent, except that any individual guarantee in an amount of less than \$10,000,000 need not be reported separately;

(d) promptly upon becoming available, copies of all financial statements, reports, notices, proxy statements and final prospectuses sent by the Company to shareholders or the Securities and Exchange Commission or any governmental agency successor to any or all of the functions of said Commission;

(e) subject to Government restrictions, such other statement or statements of the position and affairs of the Company and of the Subsidiaries and the status of their contracts, open accounts and budgets or forecasts, and other financial information, as may be reasonably requested by the Agent;

(f) with each of the audited financial statements required to be delivered under Section 8.01(a) hereof, a certificate by the independent public accountants certifying such statements to the effect that they are familiar with the provisions of this Agreement and that, in auditing the financial statements which they certified, they acquired no knowledge of any Default or, if the contrary is the case, specifying the nature of such Default;

(g) with each of the financial statements required to be delivered under Section 8.01(a) or Section 8.01(b) hereof, a statement by an authorized financial or accounting officer of the Company to the effect that no Default has occurred and is continuing, or if any Default has occurred and is continuing, describing such Default and the action taken or proposed to be taken by the Company with respect thereto, and a detailed computation of the financial calculations required in Sections 8.06, 8.08, 8.09, 8.13 and 8.14 hereof;

(h) not less than five Business Days prior to the first day of each Quarterly Period, a certificate of an authorized financial or accounting officer of the Company setting forth the Leverage Ratio as at the last day of the fiscal quarter of the Company ending approximately three months prior to the first day of such Quarterly Period; and

(i) promptly after the Company knows or has reason to know that any Default has occurred, a notice of such Default describing the same in reasonable detail and, together with such notice or as soon thereafter as is reasonably practicable, a description of the action that the Company has taken or proposes to take with respect thereto in such detail as the Company reasonably believes to be appropriate.

8.02 Existence, Payment of Taxes, ERISA, Etc. The Company shall, and shall cause each of the Material Subsidiaries to:

(a) preserve and maintain its legal existence and all of its material rights, privileges, licenses and franchises (provided that nothing in this Section 8.02 shall prohibit any transaction expressly permitted under Section 8.07 or 8.10 hereof);

(b) comply in all material respects with the requirements of all applicable laws, rules, regulations and orders of governmental or regulatory authorities if failure to comply with such requirements is reasonably likely (either individually or in the aggregate) to have a material adverse effect on the financial condition of the Company and the Subsidiaries taken as a whole; and

(c) promptly pay and discharge, and cause each Subsidiary to promptly pay and discharge, all taxes, assessments and governmental charges prior to the date on which material penalties attach thereto, but only to the extent that such taxes, assessments and charges shall not be contested in good faith and by appropriate proceedings by the Company or such Subsidiary.

The Company shall furnish to the Agent the following:

(i) As soon as possible and in any event within 30 days after the Company knows or has reason to know that any Termination Event (as defined in Section 7.08 hereof) has occurred, a statement of a senior financial or accounting officer of the Company describing such Termination Event and the action, if any, which the Company proposes to take with respect thereto;

(ii) Promptly after receipt thereof by the Company, copies of each notice received from the PBGC of its intention to terminate any Plan or to have a trustee appointed to administer any Plan; and

(iii) Promptly after request therefor, such other documents and information relating to any Plan as the Agent may reasonably request from time to time.

8.03 Notice of Litigation. The Company shall promptly give notice in writing to the Agent (which shall promptly notify the Banks) of any litigation or proceeding against the Company or any Subsidiary if in the opinion of the Senior Vice President and General Counsel of the Company or any person acting in such capacity such action or proceeding is reasonably likely to have a material adverse effect on the financial condition of the Company and the Subsidiaries taken as a whole.

8.04 Insurance. The Company shall maintain, and cause each Subsidiary to maintain, insurance with responsible companies in such amounts and against such risks as is usually carried by owners of similar businesses and property in the same general area in which the Company or such Subsidiary operates, including reasonable war, comprehensive and commercial risk insurance when and if available.

8.05 Access to Books and Properties. The Company shall, as may be reasonably requested, give any representatives of the Banks access, subject to Government restrictions, during normal business hours to, and permit them to examine, copy or make extracts from, any and all books, records and documents in the possession of the Company or any Subsidiary relating to its affairs and to inspect any properties of the Company or any Subsidiary.

8.06 Restricted Payments. The Company shall not declare, pay or authorize any Restricted Payment if (a) any such Restricted Payment is not paid out of Consolidated Net Earnings Available For Restricted Payments, (b) at the time of, and immediately after, the making of any such Restricted Payment (or the declaration of any dividend except a stock dividend) a Default has occurred or (c) the making of any such Restricted Payment would reduce Consolidated Tangible Shareholders' Equity below the amount thereof which the Company is required to maintain pursuant to Section 8.08 hereof.

8.07 Sale, Lease, Etc. The Company shall not, and shall not permit any Subsidiary to, sell, lease, assign, transfer or otherwise dispose of (each, a "disposition") assets having a book value which, together with the book value of all assets

theretofore disposed of since the date hereof, equal or exceed 30% of the book value of the total assets of the Company and its Subsidiaries as at the last day of the fiscal quarter ending on or most recently ended prior to such disposition, excluding from the operation of this clause (a) dispositions in the ordinary and normal operation of business for full and adequate consideration, (b) dispositions between the Company and any Subsidiary or between Subsidiaries, (c) investments permitted by Section 8.12 hereof and (d) assets determined by the Company to be no longer useful in its business.

8.08 Maintenance of Shareholders' Equity. The Company shall not permit the amount of Consolidated Tangible Shareholders' Equity at any time to be less than the sum of (a) \$1,000,000,000 plus (b) 50% of Net Income (but without reduction for net losses) for the fourth fiscal quarter of the fiscal year of the Company ending on December 31, 1993 plus (c) the cumulative sum of 50% of Net Income (but without reduction for net losses) for each fiscal year of the Company commencing with the fiscal year ending on December 31, 1994 plus (d) 75% of the cumulative additions to shareholders' equity resulting from Equity Issuances effected after the date hereof.

8.09 Contingent Liabilities. The Company shall not, and shall not permit any Subsidiary to, assume, guarantee (which for purposes of this Section 8.09 shall include agreements to purchase or to provide funds for the payment of obligations of, to maintain the net worth or working capital or other financial test of, or otherwise become liable upon the obligations of, any Person) or endorse any obligation of any Person (including, without limitation, by causing a bank or similar institution to issue a letter of credit or similar instrument to support any obligation of any Person), or suffer to exist any of the foregoing, except that:

(a) the Company may assume, guarantee or endorse any obligation of the Company or any Subsidiary;

(b) any Subsidiary may assume, guarantee or endorse any obligation of the Company or any other Subsidiary;

(c) the Company or any Subsidiary may, in the ordinary and normal operation of its business as presently conducted (it being understood that performance guaranty bonds, bank guarantees for foreign work (including offset and countertrade activities), advance payment bonds, direct guarantees for performance and other surety bonds will be so considered), assume, guarantee or endorse any obligation of any Person other than the Company and the Subsidiaries;

(d) the Company or any Subsidiary may guarantee any direct obligation for the payment of money of any of its customers (other than the Company and the Subsidiaries) in connection with any customer financing; and

(e) the Company or any Subsidiary may issue a guarantee of any obligation of a Person other than the Company or any Subsidiary, or assume an obligation of any such Person;

provided that (i) the excess (if any) of (x) the sum of the aggregate amount of all obligations referred to in clauses (a) and (b) above (to the extent said obligations do not otherwise constitute Funded Debt) for which the Company or any Subsidiary shall have caused a bank or similar institution to issue a letter of credit or similar instrument in support thereof plus the aggregate amount of all obligations referred to in clauses (c) and (d) above over (y) 25% of Consolidated Tangible Shareholders'

Equity shall be deemed Funded Debt for the purposes of this Agreement and (ii) the aggregate amount of all obligations referred to in clause (e) above guaranteed or assumed by the Company or any Subsidiary (excluding (aa) obligations of any Person other than for the payment of borrowed money if the long-term corporate debt of such Person is at such time rated "BBB" or higher by Standard & Poor's Corporation or "Baa2" or higher by Moody's Investors Service, Inc. unless the Company or any Subsidiary shall have caused a bank or similar institution to issue a letter of credit or similar instrument to support such obligations and (bb) obligations referred to in clause (c) above) shall be deemed Funded Debt for the purposes of this Agreement.

8.10 Acquisition of Assets. The Company shall not, and shall not permit any Subsidiary to, acquire any assets of any other Person through merger, consolidation or otherwise (including acquisition of capital stock of any other Person if such acquisition is analogous in either purpose or effect to a consolidation or merger) except in the ordinary course of business, unless immediately after giving effect to such acquisition (a) in the case of a merger or consolidation involving the Company, the Company shall be the surviving corporation and (b) no Default shall have occurred.

8.11 Limitation on Liens. The Company shall not, and shall not permit any Subsidiary to, create, assume or suffer to exist any Lien on any of its assets or properties, whether now owned or hereafter acquired, except:

(a) deposits or pledges to secure payments of workers' compensation, unemployment insurance, old age pensions or other social security, or in connection with or to secure the performance of bids, tenders, contracts (other than contracts for the repayment of borrowed money) or leases, or to secure statutory obligations or surety or appeal bonds, or other pledges or deposits for purposes of like nature in the ordinary and normal operation of its business;

(b) Liens created in favor of the Government or any other contracting party or customer in connection with advance or progress payments;

(c) mechanics', carriers', workers', repairmen's or other like Liens arising in the ordinary course of business in respect of obligations which are not overdue;

(d) Liens for taxes which at the particular time are not due, or remain payable without penalty, or which are being contested in good faith and by proper proceedings;

(e) Liens securing obligations assumed in connection with a transaction permitted by Section 8.10 hereof; and

(f) purchase money liens on fixed assets (including trust deeds or first mortgages) given substantially concurrently with the acquisition of the fixed assets and liens existing on such fixed assets at the time of acquisition thereof, conditional sales agreements or other title retention agreements with respect to fixed assets hereafter acquired, and extensions and renewals of any of the same; provided that (i) the indebtedness secured by any such Lien shall be reasonably related to the fair market value of the related asset acquired by the Company or a Subsidiary, as the case may be, and (ii) no such Lien shall extend to any property other than that then being acquired;

provided that the aggregate amount of indebtedness or obligations (whether or not assumed by the Company or a Subsidiary) secured

by all Liens and agreements permitted by clauses (e) and (f) of this Section 8.11 shall not at any time exceed \$350,000,000.

8.12 Loans and Investments. The Company shall not, and shall not permit any Subsidiary to, make any loan to or investment in others except:

(a) loans and investments made in the ordinary and normal operation of its business as presently conducted;

(b) reasonable advances to its subcontractors and suppliers in anticipation of deliveries;

(c) loans to or investments in others, whether domestic or foreign persons, in amounts which, together with loans to or investments in others presently outstanding, do not exceed \$350,000,000 in the aggregate, at any time outstanding;

(d) loans to or investments in others, whether domestic or foreign persons, to the extent covered by guarantees or insurance covering all political and credit risks issued by the Overseas Private Investment Corporation or another agency of the United States acceptable to the Agent; and

(e) investments in prime quality short-term money market instruments and direct obligations of the United States and agencies thereof, having a remaining term to maturity of not more than five years.

8.13 Limitation on Funded Debt. The Company shall not permit the Leverage Ratio at any time to exceed 1.5 to 1.

8.14 Limitation on Subordinated Debt. The Company shall not at any time create, assume, incur, or in any manner become or be liable in respect of, any Subordinated Debt unless, immediately after the creation, assumption or incurrence of such Subordinated Debt, and after giving effect to the existence thereof, the aggregate principal amount of all such Subordinated Debt shall not exceed 20% of Consolidated Tangible Shareholders' Equity unless such excess amount shall be included as Funded Debt and such Funded Debt in such amount shall be permitted by the provisions of this Agreement.

8.15 Use of Proceeds. The Company shall use the proceeds of the Loans hereunder in compliance with all applicable legal and regulatory requirements, including, without limitation, Regulations U and X and the Securities Act of 1933 and the Securities Act of 1934 and the regulations thereunder.

8.16 Margin Stock. The Company shall not permit more than 25% of the value (as determined by any reasonable method) of the assets of the Company and the Subsidiaries subject to the provisions of Section 8.07 or 8.11 hereof or any similar restriction to be represented by margin stock (within the meaning of Regulation U or X).

Section 9. Events of Default. If one or more of the following events (herein called "Events of Default") shall occur and be continuing:

(a) The Company shall default in the payment of any principal of any Loan; or the Company shall default in the payment of any interest on any Loan or any other amount payable by it hereunder to any Bank or the Agent when due which nonpayment shall have continued for a period of two Business Days or more; or

(b) Default by the Company or any Subsidiary in the payment of any indebtedness of the Company or any Subsidiary, or in the payment of any other obligation, whether direct or contingent, for borrowed money or the acquisition of capital equipment on a title retention or net lease basis, or in the performance or observance of the terms of any instrument, as at any time amended, pursuant to which any such obligation was created or securing any such obligation or providing for any such acquisition or lease, or any event specified in any note, agreement, indenture or other document evidencing or relating to any such obligation shall occur if the effect of such event is to cause, or (with the giving of any notice or the lapse of time or both) to permit the holder or holders of such indebtedness (or a trustee or agent on behalf of such holder or holders) to cause, such indebtedness to become due prior to its stated maturity; except, in each case that may otherwise be covered by this paragraph (b), for a default on indebtedness or obligations not exceeding \$10,000,000 in an aggregate amount if such default is being contested in good faith by the Company; or

(c) Any representation, warranty or certification made or deemed made herein by the Company, or any certificate furnished to any Bank or the Agent pursuant to the provisions hereof, shall prove to have been false or misleading as of the time made or deemed made or furnished in any material respect; or

(d) The Company shall default in the performance of any of its obligations under Section 8.01(i) or Sections 8.06 through 8.15 (inclusive) hereof; or the Company shall default in the performance of any of its other obligations in this Agreement and such default shall continue unremedied for a period of 30 days after notice thereof to the Company by the Agent or any Bank (through the Agent); or

(e) The Company or any Subsidiary having total assets of \$50,000,000 or more shall admit in writing its inability to, or be generally unable to, pay its debts as such debts become due; or

(f) The Company or any Subsidiary having total assets of \$50,000,000 or more shall (i) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of itself or of all or a substantial part of its property, (ii) make a general assignment for the benefit of its creditors, (iii) commence a voluntary case under the Bankruptcy Code (as now or hereafter in effect), (iv) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up, or composition or readjustment of debts, (v) fail to controvert in a timely and appropriate manner, or acquiesce in writing to, any petition filed against it in an involuntary case under the Bankruptcy Code, or (vi) take any corporate action for the purpose of effecting any of the foregoing; or

(g) A proceeding or case shall be commenced, without the application or consent of the Company or any Subsidiary having total assets of \$50,000,000 or more, in any court of competent jurisdiction, seeking (i) its liquidation, reorganization, dissolution or winding-up, or the composition or readjustment of its debts, (ii) the appointment of a trustee, receiver, custodian, liquidator or the like of the Company or such Subsidiary or of all or any

substantial part of its assets, or (iii) similar relief in respect of the Company or such Subsidiary under any law relating to bankruptcy, insolvency, reorganization, winding-up, or composition or adjustment of debts, and such proceeding or case shall continue undismissed, or an order, judgment or decree approving or ordering any of the foregoing shall be entered and continue unstayed and in effect, for a period of 60 days; or an order for relief against the Company or such Subsidiary shall be entered in an involuntary case under the Bankruptcy Code; or

(h) If (i) a final judgment which, with other outstanding final judgments against the Company and all Subsidiaries, exceeds an aggregate of \$100,000,000 shall be rendered against the Company or any Subsidiary and (ii) within 60 days after entry thereof, such judgment shall not have been discharged, vacated or reversed or execution thereof stayed pending appeal or within 60 days after the expiration of any such stay, such judgment shall not have been discharged, vacated or reversed; or

(i) An event or condition (i) which might constitute grounds under Section 4042 of ERISA for the termination of, or for the appointment of a trustee to administer, any Plan or Multiemployer Plan and which involves a liability of the Company to PBGC in excess of \$25,000,000 or (ii) leading to the receipt by the Company from the PBGC of a notice of its intention to terminate any Plan or Multiemployer Plan or to have a trustee appointed to administer any such Plan or Multiemployer Plan shall occur or exist and, as a result of such event or condition, together with all other such events or conditions, the Company or any ERISA Affiliate shall incur or in the opinion of the Majority Banks shall be reasonably likely to incur a liability to a Plan, a Multiemployer Plan or PBGC (or any combination of the foregoing) which is, in the determination of the Majority Banks, material in relation to the consolidated financial position of the Company and the Subsidiaries; or

(j) Any person or group of persons (within the meaning of Section 13 or 14 of the Securities Exchange Act of 1934, as amended, it being agreed that an employee of the Company or any Subsidiary for whom shares are held under an employee stock ownership, employee retirement, employee savings or similar plan and whose shares are voted in accordance with the instructions of such employee shall not be a member of a group of persons within the meaning of said Section 13 or 14 solely because such employee's shares are held by a trustee under said plan) shall acquire, directly or indirectly, beneficial ownership (within the meaning of Rule 13d-3 promulgated by the Securities and Exchange Commission under said Act, as amended) of more than 50% of the outstanding shares of stock of the Company having by the terms thereof ordinary voting power to elect (whether immediately or ultimately) a majority of the board of directors of the Company (irrespective of whether or not at the time stock of any other class or classes of stock of the Company shall have or might have voting power by reason of the happening of any contingency); or

(k) During any period of 25 consecutive calendar months, a majority of the Board of Directors of the Company shall no longer be composed of individuals (i) who were members of said Board on the first day of such period, (ii) whose election or nomination to said Board was approved by individuals referred to in clause (i) above constituting at the time of such election or nomination at least a majority of said Board or (iii) whose election or nomination



to said Board was approved by individuals referred to in clauses (i) and (ii) above constituting at the time of such election or nomination at least a majority of said Board;

THEREUPON: (i) in the case of an Event of Default other than one referred to in clause (f) or (g) of this Section 9, (x) the Agent may and, upon request of the Majority Banks, shall, by notice to the Company, cancel the Commitments and (y) the Agent may and, upon request of one or more Banks holding more than 50% of the aggregate outstanding principal amount of Loans, shall, by notice to the Company, declare the principal amount then outstanding of and the accrued interest on the Loans and all other amounts payable by the Company hereunder and under the Notes to be forthwith due and payable, whereupon such amounts shall be immediately due and payable without presentment, demand, protest or other formalities of any kind, all of which are hereby expressly waived by the Company; and (ii) in the case of the occurrence of an Event of Default referred to in clause (f) or (g) of this Section 9, the Commitments shall be automatically canceled and the principal amount then outstanding of, and the accrued interest on, the Loans and all other amounts payable by the Company hereunder and under the Notes shall become automatically immediately due and payable without presentment, demand, protest or other formalities of any kind, all of which are hereby expressly waived by the Company.

Without limiting Section 11.04 hereof, the Majority Banks may, on behalf of all the Banks, waive, for the period and on the conditions (if any) specified in such waiver, any Event of Default arising from the failure by the Company to perform any of its obligations under Section 8 hereof and any consequences thereof (including any termination of the Commitments and/or any declaration that the principal of and interest on the Loans and all other amounts payable by the Company hereunder and under the Notes shall be forthwith due and payable). In the case of any such waiver, the Company, the Banks and the Agent, for said period and on said conditions, shall be restored to their respective former positions and rights hereunder and under the Notes, and any Event of Default so waived shall, for said period and on said conditions, be deemed not to be continuing for the purposes of this Agreement; provided that no such waiver shall extend to any subsequent or other Event of Default or impair any other right of any Bank or the Agent hereunder or under the Notes.

#### Section 10. The Agent.

10.01 Appointment, Powers and Immunities. Each Bank hereby irrevocably appoints and authorizes the Agent to act as its agent hereunder with such powers as are specifically delegated to the Agent by the terms of this Agreement, together with such other powers as are reasonably incidental thereto. The Agent (which term as used in this sentence and in Section 10.05 and the first sentence of Section 10.06 hereof shall include reference to its affiliates and its own and its affiliates' officers, directors, employees and agents): (a) shall have no duties or responsibilities except those expressly set forth in this Agreement, and shall not by reason of this Agreement be a trustee for any Bank; (b) shall not be responsible to the Banks for any recitals, statements, representations or warranties contained in this Agreement, or in any certificate or other document referred to or provided for in, or received by any of them under, this Agreement, or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement, any Note or any other document referred to or provided for herein or for any failure by the Company or any other Person to perform any of its obligations hereunder or thereunder; (c) shall not be required to initiate or conduct any litigation

or collection proceedings hereunder; and (d) shall not be responsible for any action taken or omitted to be taken by it hereunder or under any other document or instrument referred to or provided for herein or in connection herewith, except for its own gross negligence or willful misconduct. The Agent may employ agents and attorneys-in-fact and shall not be responsible for the negligence or misconduct of any such agents or attorneys-in-fact selected by it in good faith. The Agent may deem and treat the payee of any Note as the holder thereof for all purposes hereof unless and until (except in the case of an assignment pursuant to Section 11.06(e) hereof) a written notice of the assignment or transfer thereof shall have been filed with the Agent, together with the written consent of the Company to such assignment or transfer.

10.02 Reliance by Agent. The Agent shall be entitled to rely upon any certification, notice or other communication (including any thereof by telephone, telex, telegram or cable) believed by it to be genuine and correct and to have been signed or sent by or on behalf of the proper Person or Persons, and upon advice and statements of legal counsel, independent accountants and other experts selected by the Agent. As to any matters not expressly provided for by this Agreement, the Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder in accordance with instructions signed by the Majority Banks, and such instructions of the Majority Banks and any action taken or failure to act pursuant thereto shall be binding on all of the Banks.

10.03 Defaults. The Agent shall not be deemed to have knowledge of the occurrence of a Default unless the Agent has received notice from a Bank or the Company specifying such Default and stating that such notice is a "Notice of Default". In the event that the Agent receives such a notice of the occurrence of a Default, the Agent shall give prompt notice thereof to the Banks. The Agent shall (subject to Sections 10.01, 10.07 and 11.04 hereof) take such action with respect to such Default as shall be directed by the Majority Banks, provided that, unless and until the Agent shall have received such directions, the Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default as it shall deem advisable in the best interest of the Banks.

10.04 Rights as a Bank. With respect to its Commitment and the Loans made by it, Chase (and any successor acting as Agent) in its capacity as a Bank hereunder shall have the same rights and powers hereunder as any other Bank and may exercise the same as though it were not acting as the Agent, and the term "Bank" or "Banks" shall, unless the context otherwise indicates, include the Agent in its individual capacity. Chase (and any successor acting as Agent) and its affiliates may (without having to account therefor to any Bank) accept deposits from, lend money to and generally engage in any kind of banking, trust or other business with the Company (and any of its affiliates) as if it were not acting as the Agent, and Chase and its affiliates may accept fees and other consideration ~~off~~ the Company for services in connection with this Agreement or otherwise without having to account for the same to the Banks.

10.05 Indemnification. The Banks agree to indemnify the Agent (to the extent not reimbursed under Section 11.03 hereof, but without limiting the obligations of the Company under said Section 11.03), ratably in accordance with their respective Commitments (or, if the Commitments shall have terminated, ratably in accordance with the outstanding principal amounts of the Loans held by the respective Banks), for any and all liabilities, obligations, losses, damages, penalties, actions,

judgments, suits, costs, expenses or disbursements of any kind and nature whatsoever which may be imposed on, incurred by or asserted against the Agent in any way relating to or arising out of this Agreement or any other documents contemplated by or referred to herein or the transactions contemplated hereby (including, without limitation, the costs and expenses which the Company is obligated to pay under Section 11.03 hereof but excluding, unless a Default has occurred and is continuing, normal administrative costs and expenses incident to the performance of its agency duties hereunder and excluding amounts referred to in clauses (a) and (b) of Section 11.03 hereof in an aggregate amount in excess of the monetary limitation therefor specified in the letter agreement dated October 25, 1993 from Chase to the Company under the heading "Expenses") or the enforcement of any of the terms hereof or of any such other documents, provided that no Bank shall be liable for any of the foregoing to the extent they arise from the gross negligence or willful misconduct of the party to be indemnified.

10.06 Non-Reliance on Agent and other Banks. Each Bank agrees that it has, independently and without reliance on the Agent or any other Bank, and based on such documents and information as it has deemed appropriate, made its own credit analysis of the Company and the Subsidiaries and decision to enter into this Agreement and that it will, independently and without reliance upon the Agent or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own analysis and decisions in taking or not taking action under this Agreement. The Agent shall not be required to keep itself informed as to the performance or observance by the Company of this Agreement or any other document referred to or provided for herein or to inspect the properties or books of the Company or any Subsidiary. Except for notices, reports and other documents and information expressly required to be furnished to the Banks by the Agent hereunder, the Agent shall not have any duty or responsibility to provide any Bank with any credit or other information concerning the affairs, financial condition or business of the Company or any Subsidiary (or any of their affiliates) which may come into the possession of the Agent or any of its affiliates.

10.07 Failure to Act. Except for action expressly required of the Agent hereunder the Agent shall in all cases be fully justified in failing or refusing to act hereunder unless it shall receive further assurances to its satisfaction from the Banks of their indemnification obligations under Section 10.05 hereof against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action.

10.08 Resignation or Removal of Agent. Subject to the appointment and acceptance of a successor Agent as provided below, the Agent may resign at any time by giving notice thereof to the Banks and the Company and the Agent may be removed at any time with or without cause by the Majority Banks. Upon any such resignation or removal, the Majority Banks shall, after consultation with the Company, have the right to appoint a successor Agent. If no successor Agent shall have been so appointed by the Majority Banks and shall have accepted such appointment within 30 days after the retiring Agent's giving of notice of resignation or the Majority Banks' removal of the retiring Agent, then the retiring Agent may, on behalf of the Banks, after consultation with the Company, appoint a successor Agent, which shall be a bank with a combined capital and surplus of at least \$1,000,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring

Agent, and the retiring Agent shall be discharged from its duties and obligations hereunder. After any retiring Agent's resignation or removal hereunder as Agent, the provisions of this Section 10 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as the Agent.

10.09 Co-Agents. The Co-Agents identified on the front page of this Agreement shall have no duties or responsibilities hereunder other than as Banks hereunder.

#### Section 11. Miscellaneous.

11.01 Waiver. No failure on the part of the Agent or any Bank to exercise and no delay in exercising, and no course of dealing with respect to, any right, power or privilege under this Agreement or any Note shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege under this Agreement or any Note preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The remedies provided herein are cumulative and not exclusive of any remedies provided by law.

11.02 Notices. All notices and other communications provided for herein (including, without limitation, any modifications of, or waivers or consents under, this Agreement) shall be given or made by telex, telecopy, telegraph, cable or in writing (or, with respect to notices given pursuant to Sections 2.02 and 2.03 hereof, by telephone, confirmed in writing by telex by the close of business on the day the notice is given); and telexed, telecopied, telegraphed, cabled, mailed or delivered (or telephoned, as the case may be) to the intended recipient at the "Address for Notices" specified below its name on the signature pages hereof or, as to any party, at such other address as shall be designated by such party in a notice to each other party. Officers of the Company authorized to give such telephone notices shall be designated by the Company in writing to the Agent and notices given by anyone purporting to be any one of the designated officers may be honored by the Agent. Except as otherwise provided in this Agreement, all such communications shall be deemed to have been duly given when transmitted by telex or telecopier, delivered to the telegraph or cable office or personally delivered or, in the case of a mailed notice, upon receipt, in each case given or addressed as aforesaid.

11.03 Expenses, Etc. The Company agrees to pay or reimburse each of the Banks and the Agent for paying: (a) the reasonable fees and expenses of Milbank, Tweed, Hadley & McCloy, special New York counsel to the Banks, in connection with (i) the preparation, execution and delivery of this Agreement and the Notes and the making of the Loans hereunder and (ii) any amendment, modification or waiver of any of the terms of this Agreement or any of the Notes; (b) all reasonable costs and expenses of the Agent (including, without limitation, telephone, telex and courier expenses and printing and publishing costs) in connection with the negotiation, syndication and execution of this Agreement (provided that the Company shall not have any liability under clauses (a) and (b) of this Section 11.03 for fees, costs or expenses in an aggregate amount in excess of the monetary limitation therefor specified in the letter agreement dated October 25, 1993 from Chase to the Company under the heading "Expenses"); (c) all reasonable costs and expenses of the Banks and the Agent (including reasonable counsels' fees and allocated expenses of in-house lawyers) in connection with the enforcement of this Agreement or any of the Notes; and (d) all transfer, stamp, documentary or other similar taxes, assessments or charges levied by any governmental or revenue authority in respect of this Agreement, any of the Notes or any other document

referred to herein.

11.04 Amendments, Etc. Any provision of this Agreement may be amended, waived or otherwise modified only by an instrument signed by the Company and the Majority Banks, or by the Company and the Agent acting with the consent of the Majority Banks, and any provision of this Agreement may be waived by the Majority Banks or by the Agent acting with the consent of the Majority Banks; provided that (a) no amendment, waiver or other modification shall, unless by an instrument signed by all of the Banks or by the Agent acting with the consent of all of the Banks: (i) increase or extend the term, or extend the time or waive any requirement for the reduction or termination, of any of the Commitments, (ii) extend the date fixed for the payment of principal of or interest on any Loan, (iii) reduce the amount of any payment of principal thereof or the rate at which interest is payable thereon or any commitment or facility fee is payable hereunder, (iv) alter the terms of clause (f) or (g) of Section 9 hereof, the paragraph of Section 9 hereof beginning with the word "THEREUPON" or this Section 11.04, (v) amend the definition of the term "Majority Banks", (vi) waive any of the conditions precedent set forth in Section 6 hereof, (vii) alter any provision of this Agreement insofar as such provision requires the consent or approval of all of the Banks or (viii) alter any provision of this Agreement that would have the effect set forth in any of the foregoing clauses (i) through (vii) and (b) any amendment of Section 10 hereof, or which increases the obligations of the Agent hereunder, shall require the consent of the Agent.

11.05 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

11.06 Assignments and Participations.

(a) The Company may not assign any of its rights or obligations hereunder or under the Notes without the prior consent of all of the Banks and the Agent.

(b) A Bank may assign any of its Loans, its Notes or its Commitment to any other Person only with the prior consent of the Company and the Agent (which consent, in each case, may not be unreasonably withheld or delayed; it being agreed that the Company, in determining whether to give such consent, may reasonably consider, without limitation of other factors that the Company may reasonably consider, the financial capability, financial rating and location of a proposed assignee and any prior business relationships between the Company and a proposed assignee, provided that any such determination shall be made by the Company in good faith and after consideration of all relevant factors); provided that any Bank may assign to another Bank all or (subject to the further provisos below) any portion of its Commitment; provided that any such partial assignment shall be in an aggregate principal amount equal to \$10,000,000 or any integral multiple of \$1,000,000 in excess thereof; and provided further that such assigning Bank shall also simultaneously assign to such assignee Bank the same proportion of each of its Syndicated Loans then outstanding (together with the same proportion of the relevant Note then outstanding). Upon written notice to the Company and the Agent of an assignment permitted by the provisos of the preceding sentence (which notice shall identify the assignee Bank, the amount of the assignor Bank's Commitment and Loans assigned in detail reasonably satisfactory to the Agent) and upon the effectiveness of any assignment consented to by the Company and the Agent, the assignee shall have, to the extent of such assignment (unless otherwise provided in such assignment with the consent of the Company and the

Agent), the obligations, rights and benefits of a Bank hereunder holding the Commitment and Loans (or portions thereof) assigned to it (in addition to the Commitment and Loans, if any, theretofore held by such assignee). Upon the effectiveness of any assignment of any of its Commitment or Loans, the assignor Bank or the assignee (as agreed between them) shall pay to the Agent a transfer fee in an amount equal to \$2,000; provided that the assignee Bank shall pay any transfer fee payable in connection with any assignment effected pursuant to Section 2.04(c) hereof.

(c) A Bank may sell to one or more other Persons a participation in all or any part of any Loan held or to be made by it or in its Commitment, in which event each such participant shall not have any rights or benefits under this Agreement or any Note (the participant's rights against such Bank in respect of such participation to be those set forth in the agreement (the "Participation Agreement") executed by such Bank in favor of the participant). All amounts payable by the Company to any Bank under Section 5 hereof shall be determined as if such Bank had not sold any participations in such Loan and in such Commitment and as if such Bank were funding all of such Loan in the same way that it is funding the portion of such Loan and such Commitment in which no participations have been sold. In no event shall a Bank that sells a participation be obligated to the participant under the Participation Agreement to take or refrain from taking any action hereunder or under such Bank's Note(s) except that such Bank may agree in the Participation Agreement that it will not, without the consent of the participant, agree to (i) the increase or the extension of the term, or the extension of the time or waive any requirement for the reduction or termination, of such Bank's Commitment, (ii) the extension of any date fixed for the payment of principal of or interest on the related Loan or Loans, (iii) the reduction of any payment of principal thereof or (iv) the reduction of the rate at which either interest is payable thereon or (if the participant is entitled to any part thereof) facility fee is payable hereunder to a level below the rate at which the participant is entitled to receive interest or facility fee (as the case may be) in respect of such participation.

(d) A Bank may furnish any publicly available information concerning the Company or any Subsidiary in the possession of such Bank from time to time to any of its affiliates or its assignees and participants (including prospective assignees and participants).

(e) Any Bank may at any time assign and pledge to any Federal Reserve Bank (or to an affiliate of such Bank for the purpose of permitting such affiliate to assign and pledge to any Federal Reserve Bank), as collateral security pursuant to Regulation A and any Operating Circular issued by such Federal Reserve Bank all or any portion of its Loans and its Notes. No such assignment shall release the assigning Bank from its obligations hereunder.

11.07 Survival. The obligations of the Company under Sections 5.01, 5.05 and 11.03 hereof shall survive the repayment of the Loans and the termination of the Commitments.

11.08 Captions. Captions and section headings appearing herein are included solely for convenience of reference and are not intended to affect the interpretation of any provision of this Agreement.

11.09 Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the parties

hereto may execute this Agreement by signing any such counterpart.

11.10 Governing Law. THIS AGREEMENT AND THE NOTES SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

11.11 Confidentiality. Each Bank and the Agent agrees (on behalf of itself and each of its affiliates, directors, officers, employees and representatives) to keep confidential, in accordance with their customary procedures for handling confidential information of this nature and in accordance with safe and sound banking practices, any non-public information supplied to it by the Company pursuant to this Agreement which is identified by the Company as being proprietary, private and/or confidential at the time the same is delivered to the Banks or the Agent, provided that nothing herein shall limit the disclosure of any such information (a) to the extent required by statute, rule, regulation or judicial process, (b) to counsel for any of the Banks or the Agent, (c) to bank examiners, auditors or accountants, (d) to the Agent or any other Bank, (e) in connection with any litigation to which any one or more of the Banks or the Agent is a party or (f) to any assignee or participant (or prospective assignee or participant) so long as such assignee or participant (or prospective assignee or participant) first executes and delivers to the respective Bank a Confidentiality Agreement in substantially the form of Exhibit D hereto (whereupon such Bank shall promptly deliver a copy of such Confidentiality Agreement to the Company); provided, further, that (i) unless specifically prohibited by applicable law or court order, each Bank and the Agent shall, prior to disclosure thereof, notify the Company of any request for disclosure of any such non-public information (x) by any governmental agency or representative thereof (other than any such request in connection with an examination of the financial condition of such Bank by such governmental agency) or (y) pursuant to legal process and (ii) in no event shall any Bank or the Agent be obligated or required to return any materials furnished by the Company; and, provided, finally, that no Bank shall, without the Company's prior consent, provide any information relating to projections of the Company's financial performance to any participant or any prospective assignee or participant (other than any bank or other financial institution identified to the Company as a participant under the Existing Credit Agreement in a notice given to the Company prior to the date of this Agreement), and, in lieu thereof, the Company shall, promptly following the request of any Bank and at the Company's expense, provide to a participant (or prospective assignee or participant) of such Bank any information relating to projections of the Company's financial performance that has been made available to such Bank. Each Bank agrees that money damages would not be a sufficient remedy for any breach of such Bank's obligations under this Section 11.11 and that, in addition to all other remedies available to the Company at law or in equity, the Company shall be entitled to injunctive relief against such Bank as a remedy for such breach.

11.12 Cancellation of Existing Credit Agreement. On the date of the execution and delivery of this Agreement, the commitments of the Banks party to the Existing Credit Agreement shall automatically terminate and all fees payable to such Banks accrued to such date under the Existing Credit Agreement shall be immediately due and payable.

IN WITNESS WHEREOF, the parties hereto have caused this

Agreement to be duly executed as of the day and year first above written.

NORTHROP CORPORATION

By /s/ John R. Rettberg  
Title: Vice President and  
Treasurer

1840 Century Park East  
Los Angeles, California 90067  
Attention: John R. Rettberg  
Vice President and  
Treasurer

Telecopier No.: 310-553-2076

Telephone No.: 310-201-3070

THE BANKS

Commitment  
\$55,000,000

THE CHASE MANHATTAN BANK  
(NATIONAL ASSOCIATION)

By /s/ Lawrence K. Williamson  
Title: Managing Director

Lending Office for all Loans:

The Chase Manhattan Bank  
(National Association)  
1 Chase Manhattan Plaza  
New York, New York 10081

Address for Notices:

The Chase Manhattan Bank  
(National Association)  
1 Chase Manhattan Plaza  
New York, New York 10081  
Attention: Richard C. Smith

Telex No.: 429963 CCGDUI

Telecopier No.: 212-552-5879

Telephone No.: 212-552-0667

Commitment  
\$40,000,000

BANK OF AMERICA NATIONAL TRUST  
AND SAVINGS ASSOCIATION

By /s/ Lori Y. Kannegieter  
Title: Vice President

Lending Office for all Loans:

Bank of America National Trust  
and Savings Association  
Global Payment Operations #5693  
1850 Gateway Blvd.  
Concord, California 94520



Address for Notices:

Bank of America National Trust  
and Savings Association  
Credit Products #5618  
555 South Flower Street  
Los Angeles, California 90071  
Attention: Lori Y. Kannegieter

Telecopier No.: 213-228-2756

Telephone No.: 213-228-6379

Commitment  
\$40,000,000

CHEMICAL BANK

By /s/ Kevin P. Higgins  
Title: Vice President

Lending Office for all Loans:

Chemical Bank  
270 Park Avenue  
10th Floor  
New York, New York 10017

Address for Notices:

Chemical Bank  
270 Park Avenue  
New York, New York 10017  
Attention: Kevin Higgins

Telecopier No.: 212-270-9647

Telephone No.: 212-270-3618

Commitment  
\$30,000,000

THE BANK OF NEW YORK

By /s/ Craig Rethmeyer  
Title: Vice President

Lending Office for Base  
Rate Loans:

The Bank of New York  
1 Wall Street  
New York, New York 10286

Lending Office for all  
other Loans:

The Bank of New York,  
Grand Cayman Branch  
c/o The Bank of New York  
1 Wall Street  
New York, New York 10286

Address for Notices:

The Bank of New York  
1 Wall Street

New York, New York 10286

Telecopier No.: 212-635-6397

Telephone No.: 212-635-6730

with a copy to:

The Bank of New York  
10990 Wilshire Boulevard  
Suite 1700  
Los Angeles, California 90024  
Attention: Craig Rethmeyer

Telecopier No.: 310-996-8667

Telephone No.: 310-996-8657

Commitment  
\$30,000,000

THE BANK OF NOVA SCOTIA

By /s/ M. Van Otterloo  
Title: Vice President

By /s/ J. York  
Title: Vice President

Lending Office for Syndicated  
Loans:

The Bank of Nova Scotia  
101 California Street  
48th Floor  
San Francisco, California 94119

Lending Office for Competitive Bid  
Loans:

The Bank of Nova Scotia  
1 Liberty Plaza  
New York, New York 10006

Address for Notices:

The Bank of Nova Scotia  
101 California Street  
48th Floor  
San Francisco, California 94111  
Attention: M. Van Otterloo

Telecopier No.: 415-397-0791

Telephone No.: 415-986-1100

Commitment  
\$30,000,000

THE FIRST NATIONAL BANK  
OF CHICAGO

By /s/ L. Gene Beube  
Title: Senior Vice President

Lending Office for all Loans:

The First National Bank of  
Chicago  
One First National Plaza  
Chicago, Illinois 60670

Address for Notices:

The First National Bank of  
Chicago  
777 South Figueroa Street  
4th Floor  
Los Angeles, California 90017-5800  
Attention: Dirk Vos

Telecopier No.: 213-683-4949

Telephone No.: 213-683-4950

Commitment  
\$25,000,000

BANKERS TRUST COMPANY

By /s/ Edward G. Benedict  
Title: Vice President

Lending Office for all Loans:

Bankers Trust Company  
280 Park Avenue  
New York, New York 10017

Address for Notices:

Bankers Trust Company  
280 Park Avenue  
New York, New York 10017  
Attention: Edward G. Benedict

Telecopier No.: 212-454-2942

Telephone No.: 212-454-3591

Commitment  
\$25,000,000

CREDIT LYONNAIS LOS ANGELES BRANCH

By /s/ Martin S. Avidan  
Title: Authorized Signatory

Lending Office for Base Rate Loans  
and Set Rate Loans:

Credit Lyonnais Los Angeles Branch  
515 South Flower Street  
Los Angeles, California 90071

Lending Office for Eurodollar Loans  
and LIBOR Bid Loans:

Credit Lyonnais Cayman Island  
Branch  
c/o Credit Lyonnais Los Angeles  
Branch  
515 South Flower Street  
Los Angeles, California 90071

Address for Notices:

Credit Lyonnais  
515 South Flower Street  
Los Angeles, California 90071  
Attention: Robin S. Yim

Telecopier No.: 213-627-3437

Telephone No.: 213-627-3200

Commitment  
\$25,000,000

MORGAN GUARANTY TRUST COMPANY  
OF NEW YORK

By /s/ Robert M. Osieski  
Title: Vice President

Lending Office for Base Rate Loans  
and Set Rate Loans:

Morgan Guaranty Trust Company  
of New York  
60 Wall Street  
New York, New York 10260

Lending Office for Eurodollar Loans  
and LIBOR Bid Loans:

Morgan Guaranty Trust Company of  
New York  
Nassau, Bahamas Office  
c/o J.P. Morgan Services Inc.  
Loan Operations -- 3rd Floor  
500 Stanton -- Christiana Road  
Newark, Delaware 19713

Address for Notices:

Morgan Guaranty Trust Company  
of New York  
60 Wall Street  
New York, New York 10260  
Attention: Diana H. Imhof

Telecopier No.: 212-648-5014

Telephone No.: 212-648-6987

Commitment  
\$25,000,000

NATIONAL WESTMINSTER BANK PLC

By /s/ Thomas F. Dillon  
Title: Vice President

Lending Office for Base Rate Loans  
and Set Rate Loans:

National Westminster Bank Plc  
175 Water Street  
New York, New York 10038

Lending Office for Eurodollar Loans  
and LIBOR Bid Loans:

National Westminster Bank Plc,  
Nassau Branch  
175 Water Street  
New York, New York 10038

Address for Notices:

National Westminster Bank Plc  
400 South Hope Street  
Los Angeles, California 90071  
Attention: Thomas F. Dillon

Telecopier No.: 213-623-6540

Telephone No.: 213-624-8555

Commitment  
\$20,000,000

NBD BANK, N.A.

By /s/ Curtis A. Price  
Title: Vice President

Lending Office for all Loans:

NBD Bank, N.A.  
611 Woodward Avenue  
Detroit, Michigan 48226

Address for Notices:

NBD Bank, N.A.  
611 Woodward Avenue  
Detroit, Michigan 48226  
Attention: Curtis A. Price

Telecopier No.: 313-225-2649

Telephone No.: 313-225-4387

Commitment  
\$20,000,000

CITICORP USA, INC.

By /s/ Barbara A. Cohen  
Title: Vice President

Lending Office for all Loans:

Citicorp USA, Inc.  
399 Park Avenue  
New York, New York 10043

Address for Notices:

Citicorp USA, Inc.  
c/o Citicorp North America, Inc.  
725 S. Figueroa Street  
5th Floor  
Los Angeles, California 90017  
Attention: Walt Larsen

Telecopier No.: 213-623-3592

Telephone No.: 213-239-1501

Commitment  
\$20,000,000

NATIONSBANK OF TEXAS, N.A.

By /s/ Tom F. Scharfenberg  
Title: Vice President

Lending Office for all Loans:

NationsBank of Texas, N.A.  
901 Main Street  
Dallas, Texas 75202

Address for Notices:

NationsBank of Texas, N.A.  
444 South Flower Street  
Suite 1500  
Los Angeles, California 90071  
Attention: Tom Scharfenberg

Telecopier No.: 213-624-5815

Telephone No.: 213-624-5723

Commitment  
\$15,000,000

J.P. MORGAN DELAWARE

By /s/ Philip S. Detjens  
Title: Vice President

Lending Office for all Loans:

J.P. Morgan Delaware  
c/o J.P. Morgan Services, Inc.  
500 Stanton Christiana Road  
Newark, Delaware 19713-2107

Address for Notices:

J.P. Morgan Delaware  
902 Market Street  
Wilmington, Delaware 19801

Attention: Phillip S. Detjens

Telecopier No.: 302-654-5336

Telephone No.: 302-651-3726

THE AGENT

THE CHASE MANHATTAN BANK  
(NATIONAL ASSOCIATION),  
as Agent

By /s/ Lawrence K. Williamson  
Title: Managing Director

Address for Notices to  
Chase as Agent:

The Chase Manhattan Bank  
(National Association)  
4 Metrotech Center  
13th Floor  
Brooklyn, New York 11255

Telex No.: 672 0516 CMB NYA UW

Telecopier No.: 718-242-6910

Telephone No.: 718-242-7979

EXHIBIT A-1

[Form of Note for Syndicated Loans]

PROMISSORY NOTE

\$ \_\_\_\_\_, 1994  
New York, New York

FOR VALUE RECEIVED, NORTHROP CORPORATION, a Delaware corporation (the "Company"), hereby promises to pay to \_\_\_\_\_ (the "Bank"), for account of its respective Applicable Lending Offices provided for by the Credit Agreement referred to below, at the principal office of The Chase Manhattan Bank (National Association) at 1 Chase Manhattan Plaza, New York, New York 10081 the principal sum of \_\_\_\_\_ Dollars (or such lesser amount as shall equal the aggregate unpaid principal amount of the Syndicated Loans made by the Bank to the Company under the Credit Agreement), in lawful money of the United States of America and in immediately available funds, on the dates and in the principal amounts provided in the Credit Agreement, and to pay interest on the unpaid principal amount of each such Syndicated Loan, at such office, in like money and funds, for the period commencing on the date of such Syndicated Loan until such Syndicated Loan shall be paid in full, at the rates per annum and on the dates provided in the Credit Agreement.

The date, amount, type, interest rate and maturity date of each Syndicated Loan made by the Bank to the Company, and each payment made on account of the principal thereof, shall be recorded by the Bank on its books and, prior to any transfer of this Note, endorsed by the Bank on the schedule attached hereto or any continuation thereof; provided that the failure by the Bank to make such recordation or endorsement shall not relieve the Company of any of its obligations hereunder or under the Credit Agreement.

This Note is one of the Syndicated Notes referred to in the Credit Agreement dated as of January 7, 1994 (as amended, supplemented and otherwise modified and in effect from time to time, the "Credit Agreement") among the Company, the Banks named therein (including the Bank) and The Chase Manhattan Bank (National Association), as Agent, and evidences Syndicated Loans made by the Bank thereunder. Capitalized terms used in this Note have the respective meanings assigned to them in the Credit Agreement.

The Credit Agreement provides for the acceleration of the maturity of this Note upon the occurrence of certain events and for prepayments of Loans upon the terms and conditions specified therein.

Except as permitted by Section 11.06 of the Credit Agreement, this Note may not be assigned by the Bank to any other Person.

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

NORTHROP CORPORATION

By \_\_\_\_\_  
Title:

SYNDICATED LOANS

Date of Notation Loan Made By	Principal Amount of Loan	Type of Loan	Int. Rate	Maturity Date of Loan	Amount Paid or Prepaid	Unpaid Principal Amount
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EXHIBIT A-2

[Form of Note for Competitive Bid Loans]

PROMISSORY NOTE

\_\_\_\_\_, 1994  
New York, New York

FOR VALUE RECEIVED, NORTHROP CORPORATION, a Delaware corporation (the "Company"), hereby promises to pay to \_\_\_\_\_ (the "Bank"), for account of its respective Applicable Lending Offices provided for by the Credit Agreement referred to below, at the principal office of The Chase Manhattan Bank (National Association) at 1 Chase Manhattan Plaza, New York, New York 10081 the aggregate unpaid principal amount of the Competitive Bid Loans made by the Bank to the Company under the Credit Agreement, in lawful money of the United States of America and in immediately available funds, on the dates and in the amounts provided in the Credit Agreement, and to pay interest on the unpaid principal amount of each such Competitive Bid Loan, at such office, in like money and funds, for the period commencing on the date of such Loan until such Loan shall be paid in full, at the rates and on the dates provided in the Credit Agreement.

The date, amount, type, interest rate and maturity date of each Competitive Bid Loan made by the Bank to the Company, and each payment made on account of the principal thereof, shall be recorded by the Bank on its books and, prior to the transfer of this Note, endorsed by the Bank on the schedule attached hereto or any continuation thereof; provided that the failure by the Bank to make such recordation or endorsement shall not relieve the Company of any of its obligations hereunder or under the Credit Agreement.



This Note is one of the Competitive Bid Notes referred to in the Credit Agreement dated as of January 7, 1994 (as amended, supplemented and otherwise modified and in effect from time to time, the "Credit Agreement") among the Company, the Banks named therein (including the Bank) and The Chase Manhattan Bank (National Association), as Agent, and evidences Competitive Bid Loans made by the Bank thereunder. Capitalized terms used in this Note have the respective meanings assigned to them in the Credit Agreement.

The Credit Agreement provides for the acceleration of the maturity of this Note upon the occurrence of certain events and for prepayments of Loans upon the terms and conditions specified therein.

Except as permitted by Section 11.06 of the Credit Agreement, this Note may not be assigned by the Bank to any other Person.

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

NORTHROP CORPORATION

By \_\_\_\_\_  
Title:

COMPETITIVE BID LOANS

Date of Notation Made By	Principal Amount of Loan	Type of Loan	Int. Rate	Maturity Date of Loan	Amount Paid or Prepaid	Unpaid Principal Amount
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EXHIBIT B

[Form of Opinion of Counsel to the Company]

\_\_\_\_\_, 199\_

To the Banks party to the Credit Agreement referred to below and The Chase Manhattan Bank (National Association), as Agent

Gentlemen:

I am the Corporate Vice President and General Counsel of Northrop Corporation (the "Company") and I am furnishing this opinion in connection with the Credit Agreement dated as of January 7, 1994 (the "Credit Agreement") among the Company, the Banks named therein and The Chase Manhattan Bank (National Association), as Agent, providing for loans to be made to the Company in the aggregate principal amount up to \$400,000,000. Terms defined in the Credit Agreement are used herein as defined therein.

In rendering the opinion expressed below, I have examined, or caused to be examined, the originals or conformed copies of such corporate records, agreements and instruments of the Company, certificates of public officials and of officers of the Company, and such other documents and records, and such matters of law, as I have deemed appropriate as a basis for the opinions hereinafter expressed.

Based upon the foregoing, I am of the opinion that:

1. Each of the Company and the Material Subsidiaries: (a) is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation; (b) has all requisite corporate power, and has all material governmental licenses, authorizations, consents and approvals necessary to own its assets and carry on its business as now being conducted; and (c) is qualified to do business in all jurisdictions in which the failure to so qualify would have a material adverse effect on the business, financial condition or operations of the Company and the Subsidiaries taken as a whole.

2. The making and performance by the Company of the Credit Agreement and the Notes and the borrowings thereunder have been duly authorized by all necessary corporate action, and do not and will not violate any provision of law or regulation or any provision of its charter or by-laws or result in the breach of, or constitute a default or require any consent under, or result in the creation of any Lien upon any of its properties, revenues or assets pursuant to, any indenture or other agreement or instrument to which the Company or any Subsidiary is a party or by which the Company or any Subsidiary or its properties may be bound.

3. The Company has all necessary corporate power and authority to execute, deliver and perform its obligations under the Credit Agreement and the Notes and to borrow under the Credit Agreement. The Credit Agreement has been duly and validly executed and delivered by the Company. The Credit Agreement constitutes, and the Notes, when executed and delivered by the Company, will constitute, legal, valid and binding obligations of the Company enforceable in accordance with their respective terms, except as such enforceability may be limited by (a) bankruptcy, insolvency, reorganization, moratorium or other similar laws of general applicability affecting the enforcement of creditors' rights and (b) the application of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law), and except that no opinion is expressed as to the fourth sentence of Section 4.05 of the Credit Agreement.

4. There are no legal or arbitral proceedings, and no proceedings by or before any governmental or regulatory authority or agency, pending or (to my knowledge) threatened against or affecting the Company or any of the Subsidiaries, or any properties or rights of the Company or any of the Subsidiaries, which, if adversely determined, is reasonably likely to have a material adverse effect on the consolidated financial condition or operations, or the business taken as a whole, of the Company and the Subsidiaries except as heretofore disclosed to the Banks in the Company's Annual Report on Form 10-K for the calendar year ended December 31, 1992 and the Company's Quarterly Reports on Form 10-Q for the calendar quarters ended March 31, 1993 and June 30, 1993.

5. No authorizations, consents, approvals or licenses

of, or filings or registrations with, any governmental or regulatory authority or agency are required in connection with the execution, delivery or performance by the Company of the Credit Agreement or the Notes or to borrow under the Credit Agreement.

6. The Company is not an "investment company", or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

Very truly yours,

Richard Molleur  
Corporate Vice President and  
General Counsel

EXHIBIT C

[Form of Opinion of Special New York Counsel to Chase]

\_\_\_\_\_, 199\_

To the Banks party to the  
Credit Agreement referred to  
below and The Chase  
Manhattan Bank (National Association), as Agent

Ladies and Gentlemen:

We have acted as special New York counsel to Chase in connection with (i) the Credit Agreement dated as of January 7, 1994 (the "Credit Agreement") among Northrop Corporation (the "Company"), the lenders named therein and The Chase Manhattan Bank (National Association), as Agent, providing for loans to be made by said lenders to the Company in an aggregate principal amount not exceeding \$400,000,000 and (ii) the various other agreements and instruments referred to in the next following paragraph. Terms defined in the Credit Agreement are used herein as defined therein. This opinion is being delivered pursuant to Section 6.01(e) of the Credit Agreement.

In rendering the opinion expressed below, we have examined the following agreements, instruments and other documents:

- (a) the Credit Agreement;
- (b) the Notes; and
- (c) such corporate records of the Company and such other documents as we have deemed necessary as a basis for the opinions expressed below.

The agreements, instruments and other documents referred to in the foregoing lettered clauses (other than clause (c) above) are collectively referred to as the "Credit Documents".

In our examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with authentic original documents of all documents submitted to us as copies. When relevant facts

were not independently established, we have relied upon statements of governmental officials and upon representations made in or pursuant to the Credit Documents and certificates of appropriate representatives of the Company.

In rendering the opinions expressed below, we have assumed, with respect to all of the documents referred to in this opinion letter, that:

- (i) such documents have been duly authorized by, have been duly executed and delivered by, and (except to the extent set forth in the opinions below as to the Company) constitute legal, valid, binding and enforceable obligations of, all of the parties to such documents;
- (ii) all signatories to such documents have been duly authorized; and
- (iii) all of the parties to such documents are duly organized and validly existing and have the power and authority (corporate or other) to execute, deliver and perform such documents.

Based upon and subject to the foregoing and subject also to the comments and qualifications set forth below, and having considered such questions of law as we have deemed necessary as a basis for the opinions expressed below, we are of the opinion that each of the Credit Documents constitutes the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting the rights of creditors generally and except as the enforceability of the Credit Documents is subject to the application of general principles of equity (regardless of whether considered in a proceeding in equity or at law), including, without limitation, (a) the possible unavailability of specific performance, injunctive relief or any other equitable remedy and (b) concepts of materiality, reasonableness, good faith and fair dealing.

The foregoing opinions are subject to the following comments and qualifications:

(A) The enforceability of provisions in the Credit Documents to the effect that terms may not be waived or modified except in writing may be limited under certain circumstances.

(B) We express no opinion as to (i) the effect of the laws of any jurisdiction in which any Bank is located (other than the State of New York) that limit the interest, fees or other charges such Bank may impose and (ii) the fourth sentence of Section 4.05 of the Credit Agreement.

The foregoing opinions are limited to matters involving the Federal laws of the United States and the law of the State of New York, and we do not express any opinion as to the laws of any other jurisdiction.

This opinion letter is, pursuant to Section 6.01(e) of the Credit Agreement, provided to you by us in our capacity as special New York counsel to Chase and may not be relied upon by any Person for any purpose other than in connection with the transactions contemplated by the Credit Agreement without, in each instance, our prior written consent.

Very truly yours,

[Form of Confidentiality Agreement]

CONFIDENTIALITY AGREEMENT

[Insert Date]

[Insert Name and  
Address of Prospective  
Participant or Assignee]

Ladies and Gentlemen:

Reference is made to the Credit Agreement dated as of January 7, 1994 (the "Credit Agreement") among Northrop Corporation (the "Company"), the Banks named therein and The Chase Manhattan Bank (National Association), as Agent, providing for loans in the aggregate principal amount of \$400,000,000 at any one time outstanding. Terms defined in the Credit Agreement are used herein as defined therein.

As a Bank party to the Credit Agreement, we have agreed with the Company in Section 11.11 of the Credit Agreement to keep confidential, except as otherwise provided therein, all non-public information identified by the Company as being proprietary, private and/or confidential at the time the same is delivered to us pursuant to the Credit Agreement.

As provided in said Section 11.11, we are permitted to provide you, as a prospective [holder of a participation in the Loans] [assignee Bank], with certain of such non-public information subject to the execution and delivery by you, prior to receiving such non-public information, of a Confidentiality Agreement in this form. Such information will not be made available to you until your execution and return to us of this Confidentiality Agreement.

Accordingly, in consideration of the foregoing, you hereby agree (on behalf of yourself and each of your affiliates, directors, officers, employees and representatives) that (A) such information will not be used by you except in connection with the proposed [participation] [assignment] mentioned above and (B) you shall use reasonable precautions, in accordance with your customary procedures for handling confidential information and in accordance with safe and sound banking practices, to keep such information confidential, provided that nothing herein shall limit the disclosure of any such information (i) to the extent required by statute, rule, regulation or judicial process, (ii) to your counsel or to counsel for any of the Banks or the Agent, (iii) to bank examiners, auditors or accountants, (iv) to the Agent or any other Bank, (v) in connection with any litigation to which you or any one or more of the Banks is a party; provided, further, that, unless specifically prohibited by applicable law or court order, you agree, prior to disclosure thereof, to notify the Company of any request for disclosure of any such non-public information (x) by any governmental agency or representative thereof (other than any such request in connection

with an examination of your financial condition by such governmental agency) or (y) pursuant to legal process; and provided finally that in no event shall you be obligated to return any materials furnished to you pursuant to this Confidentiality Agreement. In addition, you hereby agree that money damages would not be a sufficient remedy for any breach of your obligations under this Confidentiality Agreement and that, in addition to all other remedies available to the Company at law or in equity, the Company shall be entitled to injunctive relief against you as a remedy for such breach and that the Company is an express beneficiary hereof entitled to enforce your obligations hereunder as if the Company were a party hereto.

Please indicate your agreement to the foregoing by signing at the place provided below the enclosed copy of this Confidentiality Agreement.

Very truly yours,

[INSERT NAME OF BANK]

By \_\_\_\_\_  
Title:

AGREED AS AFORESAID:

[INSERT NAME OF PROSPECTIVE  
PARTICIPANT OR ASSIGNEE]

By \_\_\_\_\_  
Title:

POWER OF ATTORNEY IN CONNECTION WITH THE  
1993 ANNUAL REPORT ON FORM 10-K

KNOW ALL MEN BY THESE PRESENTS, that each of the undersigned directors and officers of NORTHROP CORPORATION, a Delaware corporation, does hereby appoint RICHARD R. MOLLEUR and SHEILA M. GIBBONS, and each of them as his agents and attorneys-in-fact (the "Agents"), in his respective name and in the capacity or capacities indicated below to execute and/or file the Annual Report on Form 10-K for the fiscal year ended December 31, 1993 (the "Report") under the Securities Exchange Act of 1934, as amended (the "Act"), and any one or more amendments to any part of the Report that may be required to be filed under the Act (including the financial statements, schedules and all exhibits and other documents filed therewith or constituting a part thereof) and to any part or all of any amendment(s) to the Report, whether executed and filed by the undersigned or by any of the Agents. Further, each of the undersigned does hereby authorize and direct the Agents to take any and all actions and execute and file any and all documents with the Securities and Exchange Commission (the "Commission"), which they deem necessary or advisable to comply with the act and the rules and regulations or orders of the Commission adopted or issued pursuant thereto, to the end that the Report shall be properly filed under the Act. Finally, each of the undersigned does hereby ratify each and every act and documents which the Agents may take, execute or file pursuant thereto with the same force and effect as though such action had been taken or such document 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 Commission.

IN WITNESS THEREOF, each of the undersigned has subscribed these presents this 16th day of February, 1994.

/s/ Kent Kresa	Chairman of the Board, President and Chief Executive Officer and Director (Principal Executive Officer)
/s/ Oliver C. Boileau, Jr.	Director
/s/ Jack R. Borsting	Director
/s/ John T. Chain, Jr.	Director
/s/ Jack Edwards	Director
/s/ Barbara C. Jordan	Director
/s/ Aulana L. Peters	Director
/s/ Richard M. Rosenberg	Director
/s/ William F. Schmied	Director

/s/ John Brooks Slaughter	Director
/s/ Wallace C. Solberg	Director
/s/ Richard J. Stegemeier	Director
/s/ Richard B. Waugh, Jr.	Corporate Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ Nelson F. Gibbs	Corporate Vice President and Controller (Principal Accounting Officer)



SPECIAL SEVERANCE PAY AGREEMENT

This Special Severance Pay Agreement (the "Agreement") is entered into as of the \_\_\_\_\_ day of \_\_\_\_\_ by and between Northrop Corporation, a Delaware corporation (the "Company") and \_\_\_\_\_ (the "Employee").

RECITALS

Employee is a key member of the Company's management team and has been designated by the Compensation and Management Development Committee (the "Committee") of the Board of Directors (the "Board") of the Company as a key employee to whom the protection of the Company's Special Severance Pay Plan (the "Plan") are extended. The purpose of the Plan is to reinforce and encourage the continued attention and dedication of employees like Employee to their assigned duties without distraction in the face of the potentially disturbing circumstances that arise from the possibility of a change in control of the Company.

NOW, THEREFORE, in consideration of the mutual benefits to be derived from this Agreement, including the continued employment and rendition of services by Employee, it is agreed as follows:

1. Company's Right to Terminate. No provision contained herein shall affect the Company's ability to terminate Employee's employment at any time, with or without cause. Nothing in this Agreement shall in any way require the Company to provide any Benefits prior to a Change in Control nor shall this Agreement ever be construed in any way as establishing any policies or requirements for severance benefits for Employee if he terminates employment with the Company prior to a Change in Control
2. Change in Control. Benefits provided herein shall be payable only in the event there shall have occurred a "Change in Control" as defined below, and Employee's employment by the Company shall thereafter have been terminated in accordance with Section 3 below. Each event constituting a "Change in Control" as defined below shall be considered a separate "Change in Control" entitling Employee to the Benefits provided herein if his employment by the Company shall have been terminated in accordance with Section 3 below following such "Change in Control." For purposes of this Agreement a "Change in Control" shall be deemed to have occurred if (i) there shall be consummated (x) any consolidation or merger of the Company in which (A) the Company is not the continuing or surviving corporation, other than a merger in which the holders of the Common Stock of the Company immediately prior

to the merger have the same proportionate ownership of common stock of the surviving corporation immediately after the merger, or (B) the Common Stock of the Company outstanding immediately prior to the merger would amount to less than 50% of the common stock of the surviving corporation outstanding immediately after the merger or (y) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of the Company, or (ii) the stockholders of the Company approve a plan or proposal for the liquidation or dissolution of the Company, or (iii) any "person" (as defined in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), but not including any trust established pursuant to an employee benefit plan of the Company, shall become the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of fifteen percent or more of the Company's outstanding Common Stock, or (iv) during any period of two consecutive years, a majority of the directors of the Company shall cease to be "Continuing Directors," as defined below. As used herein, "Continuing Director" shall mean a person who was a director of the Company at the beginning of any specified two-year period and any person whose election or nomination as a director during such period was approved by two-thirds of the then Continuing Directors.

3. Termination Following Change in Control. In the event a Change in Control shall have occurred, Employee shall be entitled to the Benefits provided in Section 4 hereof upon any termination of his employment with the Company within the 30-month period following such Change in Control except a termination of employment (a) because of his death, (b) by the Company for "Cause" or "Disability" or (c) by him other than for "Good Reason."

(i) Disability. For the purposes of this Agreement only, and for no other benefit program or policy of the Company, termination for "Disability" shall mean termination of Employee's employment because of his absence from duties with the Company on a full-time basis for 130 consecutive business days, as a result of incapacity due to physical or mental illness, unless he shall have returned to the full-time performance of his duties within 30 days after "Notice of Termination" (as described in (iv) below) is given in connection with such absence.

(ii) Cause. Termination by the Company of Employee's employment for "Cause" shall mean termination within the 30-month period following a Change in Control by reason of:

(A) the willful and continued failure by Employee to substantially perform his duties with the Company (other than any

such failure resulting from his incapacity due to physical or mental illness), for a period of 30 or more days after a written demand for substantial performance is delivered to him by the Chief Executive Officer (the "Officer") of the Company or the Committee, which demand specifically identifies the manner in which such Officer or the Committee believes that Employee has not substantially performed his duties.

(B) the willful engaging by Employee in misconduct which is materially injurious to the Company, monetarily or otherwise. For purposes of this paragraph, no act, or failure to act, on Employee's part shall be considered "willful" unless done, or omitted to be done, by Employee not in good faith and without reasonable belief that his action or omission was not opposed to the best interest of the Company.

Notwithstanding the foregoing, Employee shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to Employee a copy of a Notice of Termination from the Officer or the Committee after reasonable notice to Employee and an opportunity for him, together with his counsel, to be heard before the Committee (or, if there be no such Committee or such Committee delivers the Notice of Termination, the Board), finding that, in the good faith opinion of such Committee (or the Board), he was guilty of conduct set forth above in clauses (A) or (B) of the first sentence of this paragraph (ii) and specifying the particulars thereof in detail.

(iii) Good Reason. Termination by Employee of his employment for "Good Reason" shall mean the termination by Employee of his employment within the 30-month period following a Change in Control:

(A) if within the 30-month period following a Change in Control, the Company reduces Employee's base salary in effect immediately prior to the Change in Control or as increased from time to time thereafter.

(B) if within the 30-month period following a Change in Control, the Company, without the express written consent of the Employee, requires Employee to report to a location or be relocated anywhere in excess of one hundred (100) miles of his present office location, except for required travel on the Company's business to an extent substantially consistent with his present business travel obligations.

(C) if within the 30-month period following a Change in Control, the Company has failed to maintain in force plans providing benefits at least as beneficial as, or substantially equivalent to, those provided by any benefit or compensation plan, retirement or pension plan, stock option plan, life insurance plan,

health and accident plan or disability plan in which Employee is participating at the time of a Change in Control or if the Company has taken any action which would adversely affect Employee's participation in or materially reduce Employee's benefits under any of such plans or deprive him of any material fringe benefit (without substituting a fringe benefit substantially equivalent to such benefit) enjoyed by him at the time of the Change in Control, or if the Company fails to provide him with the number of paid vacation days to which he would be entitled in accordance with the Company's normal vacation policy in effect at the time of the Change in Control.

(D) if within the 30-month period following a Change in Control, the Company materially reduces Employee's title, job authorities or responsibilities in effect immediately prior to the Change in Control.

(E) if within the 30-month period following a Change in Control, the Company fails to obtain the assumption of the obligations contained in this Agreement by any successor as contemplated in Section 5 hereof.

(F) if within the 30-month period following a Change in Control, the Company purports to terminate Employee's employment in a manner which is not effected pursuant to a Notice of Termination satisfying the requirements of paragraph (iv) below (and, if applicable, paragraph (ii) above); and for purposes of this Agreement, no such purported termination shall be effective.

A termination of employment by Employee within the 30-month period following a Change in Control shall be for Good Reason if one of the occurrences specified in this paragraph (iii) shall have occurred, notwithstanding that Employee may have other reasons for terminating employment, including employment by another employer which Employee desires to accept.

(v) Date of Termination. "Date of Termination" shall mean:

(A) If Employee's employment is terminated for Disability, thirty (30) days after Notice of Termination is given (provided that Employee shall not have returned to the performance of his duties on a full-time basis during such thirty (30) day period),

(B) if Employee's employment is terminated pursuant to paragraph (ii) above, the date on which the Notice of Termination is given,

(C) if Employee's employment is terminated by the Company for any other reason, the date on which a Notice of Termination is given; provided that if within thirty (30) days after any Notice of Termination is given Employee notifies the Company that a dispute exists concerning the termination, the Date of

Termination shall be the date on which such Notice of Termination is given or the date on which the dispute is finally determined, either by mutual written agreement of the parties, or by a final judgment, order or decree of a court of competent jurisdiction, whichever shall provide Employee with the greater dollar value of Benefits hereunder, and

(D) if Employee terminates his employment for Good Reason, the date on which the Company receives notice from Employee of such termination.

4. Certain Benefits Upon Termination. If, within the 30-month period following a Change in Control, Employee's employment by the Company shall be terminated (a) by the Company other than for Cause or Disability or (b) by Employee for Good Reason, Employee shall be entitled to each of the "Benefits" provided below:

(i) the Company shall pay Employee his full base salary through the Date of Termination, at the rate in effect at the time Notice of Termination is given.

(ii) the Company shall pay as severance pay to Employee after the Date of Termination, an amount equal to 2.99 times Employee's full Base Amount (as defined in Section 280G of the Internal Revenue Code of 1986, as amended, and the regulations adopted thereunder in effect from time to time) of total compensation as in effect at the time notice of termination is given. Such severance pay shall be paid to Employee in a cash lump sum within 30 days following the Date of Termination.

(iii) for a period not to exceed thirty-six (36) months the Company shall, at its expense, arrange to provide Employee with medical, dental and life insurance benefits substantially similar to those which Employee was receiving immediately prior to the Change in Control or, if greater, those which Employee was receiving on his Date of Termination. Notwithstanding the foregoing, the Company shall not provide any benefit otherwise receivable by Employee pursuant to this Section 4(iii) to the extent that a substantially similar benefit is actually received by Employee from a subsequent employer during such period, (iv) and any such benefit actually received by Employee shall be reported to the Company.

(iv) the Company shall pay to Employee all deferred accrued and bonus vacation pay to which he is entitled under the terms of the Company's pay policies as in effect immediately prior to the Change in Control or, if it results in greater vacation pay, as in effect on Employee's Date of Termination.

Employee shall not be required to mitigate the amount of

any payment provided for in this Section 4 by seeking other employment or otherwise, nor shall the amount of any payment provided for in this Section 4 be reduced by any compensation earned by Employee as the result of employment by another employer after the Date of Termination, or otherwise.

Anything in this Agreement to the contrary notwithstanding, in no event may the amount of any benefits payable to Employee under this Agreement, when added to any other benefits which Employee is entitled to receive from the Company, exceed the total amount of payments or benefits which could be received by Employee from the Company without any portion thereof constituting a nondeductible "excess parachute payment" pursuant to Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), or being subject to the excise tax imposed by Section 4999 of the Code; and such payments or benefits shall be reduced to the extent necessary to comply with this limitation. If any such payments or benefits must be reduced by reason of the preceding sentence, such reduction shall be made in the order and manner determined by Employee as soon as administratively practicable following the Change in Control.

5. Successors, Binding Agreement. The Company may amend or terminate this Agreement by action of a majority of its Continuing Directors (as defined in Section 2 hereof) at any time prior to a Change in Control. In any event, this Agreement shall terminate on the fifth (5th) anniversary hereof unless a Change in Control has occurred. The Company expressly waives any right to amend or terminate this Agreement following a Change in Control and the Company acknowledges that Employee shall have a binding and irrevocable right to the Benefits set forth hereunder in the event of a Change in Control. Any purported termination of this Agreement following a Change in Control shall be ineffective, and Employee shall not lose any right hereunder for failing to contest such a purported termination.

(i) 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 expressly assume and agree to honor this Agreement in the same manner and to the same extent that the Company would be required to so honor if no such succession had taken place. Failure of the Company to obtain such agreement prior to the effectiveness of any such succession shall be a violation of this Agreement and shall entitle Employee to Benefits from the Company or such successor in the same amount and on the same terms as Employee would be entitled hereunder if he terminated his employment for Good Reason, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination. As used in this Agreement, "Company" shall mean the Company hereinbefore defined and any successor to its business and/or assets as aforesaid which executes and delivers the agreement provided for in this paragraph 5 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law. The Company shall promptly

notify Employee of any succession by purchase, merger, consolidation or otherwise to all or substantially all the business and/or assets of the Company and shall state whether or not the successor has executed the agreement required by this paragraph (i) and, if so, shall make a copy of such agreement available to Employee.

(ii) This Agreement shall inure to the benefit of and be enforceable by Employee and his personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If Employee should die while any amount would still be payable to him hereunder if he had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to his devisee, legatee or other designee or, if there be no such designee, to his estate.

(iii) The Company expressly acknowledges and agrees that Employee shall have a contractual right to the Benefits provided hereunder, and the Company expressly waives any ability, if possible, to deny liability for any breach of its contractual commitment hereunder upon the grounds of lack of consideration, accord and satisfaction or any other defense. In any dispute arising after a Change in Control as to whether Employee is entitled to Benefits under this Agreement, there shall be a presumption that Employee is entitled to such Benefits and the burden of proving otherwise shall be on the Company.

(iv) All Benefits to be provided hereunder shall be in addition to any pension, disability, worker's compensation, other Company benefit plan distribution, unpaid vacation or other unpaid benefits that Employee has at his Date of Termination.

6. Notice. For purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by certified or registered mail, return receipt requested, postage prepaid, addressed: (i) if to Employee, to his latest address as reflected on the records of the Company, and if to Company: Northrop Corporation, 1840 Century Park East, Los Angeles, California 90067, Attn: President, or to such other address as Company may furnish to Employee in writing with specific reference to this Agreement and the importance of the notice, except that notice of change of address shall be effective only upon receipt.
7. Miscellaneous. After a Change in Control, no rights of Employee under this Agreement may be released, modified, waived or discharged by Employee unless such release, waiver, modification, or discharge is agreed to in writing signed by Employee and a licensed attorney-at-law representing Employee. No failure to enforce or waiver by Employee at any time of any breach by the Company of, or noncompliance with, any condition or provision of this Agreement to be performed by the Company shall be deemed a waiver of similar or

dissimilar provisions or conditions at the same or at any prior or subsequent time. This Agreement shall not supersede or in any way limit the rights, duties or obligations Employee may have under any other written agreement with the Company. The Company expressly waives any right to deny liability hereunder on the basis that Employee failed to submit a claim on a timely basis. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California.

8. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have executed this agreement as of the above-stated date.

ATTEST:

\_\_\_\_\_

BY \_\_\_\_\_

EMPLOYEE

\_\_\_\_\_