

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

Date of Report (date of earliest event reported) March 1, 1996

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

Delaware (State or other jurisdiction of incorporation)	1-3229 (Commission File Number)	95-1055798 (I.R.S. Employer Identification No.)
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1840 Century Park East, Los Angeles, California (Address of principal executive offices)	90067 (Zip Code)
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Registrant's telephone number, including area code: (310) 553-6262

NONE  
(Former name or former address, if changed since last report)

## ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS

On March 1, 1996, pursuant to the Asset Purchase Agreement dated as of January 3, 1996 (the "Purchase Agreement"), Northrop Grumman Corporation ("Registrant") acquired from Westinghouse Electric Corporation (collectively "Seller") substantially all of the assets of Seller's Electronic Systems Group (excluding the security systems, wireless communications and airship businesses thereof and the business of Westinghouse Landmark GIS, Inc.) (the "Division"). The purchase includes the Seller's voting stock or other interests in several domestic and foreign subsidiaries and joint ventures. A copy of the Purchase Agreement is filed herewith as Exhibit 2.1, and certain ancillary agreements are filed as Exhibits 2.2 and 2.3, and reference is made thereto for the complete terms and conditions thereof.

The purchase price of \$3 billion cash (subject to adjustment following an audit of the closing date balance sheet of the Division) was based upon the estimated net assets to be acquired as well as the value of the ongoing business, and took into account the liabilities reflected on the balance sheet and assumed by Registrant.

Registrant obtained the cash portion of the purchase price from (i) an offering made pursuant to Rule 144A promulgated under the Securities Act of 1933, as amended, of \$1 billion in debt securities having maturity dates of 10, 20 and 30 years and (ii) a bank credit facility advanced under the Second Amended and Restated Credit Agreement dated as of April 15, 1994, Amended and Restated as of March 1, 1996 among Northrop Grumman Corporation, Bank of America National Trust and Savings Association, as Documentation Agent, Chemical Securities, Inc., as Syndication Agent, The Chase Manhattan Bank (National Association), as Administrative Agent and the Banks Signatories thereto (the "Credit Agreement"). A copy of the Credit Agreement is filed herewith as Exhibit 2.4 and reference is made thereto for the complete terms and conditions thereof.

Registrant intends to continue to use the assets purchased from Seller in the operation of the Division, which will be known as the Electronic Sensors and Systems Division of Registrant, and is reviewing these business areas and its strategic core competencies to determine whether any synergies may be achieved by repositioning or divesting certain assets or business areas.

No material relationship exists between Seller and Registrant or any of its affiliates, directors or officers, or any associate of any such directors or officers.

The Press Release of Registrant dated March 1, 1996, announcing the completion of the acquisition described above is filed herewith as Exhibit 99.1 and is incorporated herein by reference.

## ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS

### (a) Financial Statements of the Division

The following Financial Statements of the Division are included with this Form 8-K:

Report of Independent Accountants

Combined Statement of Financial Position as of December 31, 1994 and 1995

Combined Statement of Earnings for the Years Ended December 31, 1993, 1994 and 1995

Combined Statement of Cash Flows for the Years Ended December 31, 1993,  
1994 and 1995

Combined Statement of Changes in Invested Equity for the Years  
Ended December 31, 1993, 1994 and 1995

Notes to Combined Financial Statements

(b) Pro Forma Financial Information of Registrant.

It is impracticable on the date of this Form 8-K to provide the pro forma financial information required by Item 7(b). The required pro forma financial information will be filed under cover of a Form 8-K/A as soon as practicable, but not later than May 17, 1996, as required by Item 7(a)(4) of the General Instructions to Form 8-K.

(c) Exhibits

The following Exhibits are included with this Form 8-K:

Exhibit Number	Description of Exhibit
2.1	Asset Purchase Agreement dated as of January 3, 1996, between Westinghouse Electric Corporation, a Pennsylvania corporation, as Seller, and Northrop Grumman Corporation, a Delaware corporation, as Buyer. (Schedules and Exhibits have been omitted pursuant to Rule 6.01(b)(2) of Regulation S-K. Such Schedules and Exhibits are listed and described in the Purchase Agreement. Registrant hereby agrees to furnish to the Securities and Exchange Commission, upon its request, any or all such omitted Schedules and Exhibits.)
2.2	Letter Agreement dated February 28, 1996 from Westinghouse Electric Corporation to Northrop Grumman Corporation.
2.3	Letter Agreement dated February 29, 1996 from Westinghouse Electric Corporation to Northrop Grumman Corporation. (Schedules have been omitted pursuant to Rule 6.01(b)(2) of Regulation S-K. Such Schedules are listed and described in the Letter Agreement. Registrant hereby agrees to furnish to the Securities and Exchange Commission, upon its request, any or all such omitted Schedules.)
2.4	Second Amended and Restated Credit Agreement dated as of April 15, 1994, Amended and Restated as of March 1, 1996 among Northrop Grumman Corporation, Bank of America National Trust and Savings Association, as Documentation Agent, Chemical Securities, Inc., as Syndication Agent, The Chase Manhattan Bank (National Association), as Administrative Agent and the Banks Signatories thereto. (Schedules and Exhibits have been omitted pursuant to Rule 6.01(b)(2) of Regulation S-K. Such Schedules and Exhibits are listed and described in the Credit Agreement. Registrant hereby agrees to furnish to the Securities and Exchange Commission, upon its request, any or all such omitted Schedules and Exhibits.)
23.1	Consent of Independent Accountants
99.1	Press release of Registrant dated March 1, 1996

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors  
Westinghouse Electric Corporation

In our opinion, the accompanying combined statement of financial position and the related combined statements of earnings, of cash flows and of changes in invested equity present fairly, in all material respects, the financial position of Electronic Systems (a unit of Westinghouse Electric Corporation) at December 31, 1995 and 1994, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1995, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As discussed in Note 12, the Company changed its method of accounting for certain postemployment benefits in 1993.

Electronic Systems is a unit of Westinghouse Electric Corporation and, as disclosed in the financial statements, receives support services from, and has transactions and relationships with, Westinghouse Electric Corporation and its affiliates.

PRICE WATERHOUSE LLP  
Baltimore, Maryland  
January 31, 1996

ELECTRONIC SYSTEMS  
(A UNIT OF WESTINGHOUSE ELECTRIC CORPORATION)  
COMBINED STATEMENT OF FINANCIAL POSITION  
(DOLLAR AMOUNTS IN THOUSANDS)

	DECEMBER 31,	
	1995	1994
ASSETS		
Current assets		
Cash and cash equivalents.....	\$ 3,996	\$ 81
Trade accounts receivable, net (Note 5)....	283,027	237,197
Inventories (Note 6).....	182,562	203,554
Costs and profits in excess of billings on long-term contracts (Note 6).....	178,783	219,030
Deferred income taxes (Note 11).....	135,644	129,162
Prepaid expenses and other current assets..	13,888	5,785
	-----	-----
Total current assets.....	797,900	794,809
	-----	-----
Property, plant and equipment, net (Note 7)..	404,161	414,724
Goodwill and other intangible assets, net (Note 8).....	138,253	159,621
Deferred income taxes (Note 11).....	173,057	128,733
Other noncurrent assets (Note 9).....	11,662	25,135
	-----	-----
Total assets.....	\$1,525,033	\$1,523,022
	-----	-----
LIABILITIES AND INVESTED EQUITY		
Current liabilities		
Accounts payable.....	\$ 105,110	\$ 84,160
Accrued expenses (Note 10).....	314,131	252,639
Billings in excess of costs and profits on long-term contracts (Note 6).....	128,307	75,912
	-----	-----
Total current liabilities.....	547,548	412,711
	-----	-----
Pension liability (Note 12).....	369,395	279,298
Postretirement and postemployment benefits (Note 12).....	279,024	279,414
Other noncurrent liabilities.....	15,340	37,130
	-----	-----
	663,759	595,842
	-----	-----
Commitments and contingencies (Notes 13 and 17)		
Invested equity (Notes 12 and 13).....	313,726	514,469
	-----	-----
Total liabilities and invested equity.....	\$1,525,033	\$1,523,022
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The accompanying notes are an integral part of these combined financial statements.

ELECTRONIC SYSTEMS  
(A UNIT OF WESTINGHOUSE ELECTRIC CORPORATION)  
COMBINED STATEMENT OF EARNINGS  
(DOLLAR AMOUNTS IN THOUSANDS)

	FOR THE YEAR ENDED DECEMBER 31,		
	1995	1994	1993
Revenue.....	\$2,554,490	\$2,184,785	\$2,348,073
Costs and expenses			
Cost of sales.....	1,997,466	1,684,615	1,782,640
Selling, general and administrative (Note 13).....	244,894	229,327	261,070
Research and development.....	75,204	72,293	75,883
Restructuring charges, net (Note 4)	51,200	8,600	90,500
Other expense, net (Note 14).....	13,816	62,464	11,755
	2,382,580	2,057,299	2,221,848
Earnings before income taxes and cumulative effect of accounting change.....	171,910	127,486	126,225
Provision for income taxes (Note 11).	64,663	46,821	47,294
Earnings before cumulative effect of accounting change.....	107,247	80,665	78,931
Cumulative effect of accounting change (Note 12).....			(13,377)
Net earnings.....	\$ 107,247	\$ 80,665	\$ 65,554

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

ELECTRONIC SYSTEMS  
(A UNIT OF WESTINGHOUSE ELECTRIC CORPORATION)  
COMBINED STATEMENT OF CASH FLOWS  
(DOLLAR AMOUNTS IN THOUSANDS)

	FOR THE YEAR ENDED DECEMBER 31,		
	1995	1994	1993
Cash flow from operating activities:			
Net earnings.....	\$ 107,247	\$ 80,665	\$ 65,554
Noncash items included in earnings			
Depreciation and amortization.....	69,760	72,864	68,558
Pension settlement loss.....		60,984	
Noncash restructuring charges.....	(3,200)	200	30,500
Loss on sale of property, plant and equipment.....	3,508	2,175	3,603
Other changes that provided (used) cash, net of effects of acquisition of business			
Trade accounts receivable.....	(45,830)	44,641	52,494
Inventories.....	20,992	104,594	(38,590)
Costs and profits in excess of billings on long-term contracts.....	40,247	(28,879)	(30,060)
Prepaid expenses and other current assets.....	(8,103)	5,642	15,600
Deferred income taxes.....	(6,972)	(43,166)	(20,495)
Accounts payable.....	20,950	781	(31,969)
Accrued expenses.....	86,592	(106,432)	21,082
Billings in excess of costs and profits on long-term contracts.....	52,395	(106,800)	120,416
Pension liability.....	(12,049)	42,536	3,547
Postretirement and postemployment benefits.....	(390)	(11,363)	18,794
Other noncurrent assets and liabilities.....	(4,025)	69,462	8,850
Net cash provided by operating activities.....	321,122	187,904	287,884
Cash flow from investing activities:			
Business acquisition.....	(21,900)	(72,700)	
Purchases of property, plant and equipment.....	(54,823)	(43,951)	(18,869)
Net cash used in investing activities.....	(76,723)	(116,651)	(18,869)
Cash flow from financing activities:			
Net intercompany transactions.....	(240,484)	(71,486)	(269,944)
Net increase (decrease) in cash and cash equivalents.....	3,915	(233)	(929)
Cash and cash equivalents at beginning of year.....	81	314	1,243
Cash and cash equivalents at end of year..	\$ 3,996	\$ 81	\$ 314

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

ELECTRONIC SYSTEMS  
(A UNIT OF WESTINGHOUSE ELECTRIC CORPORATION)  
COMBINED STATEMENT OF CHANGES IN INVESTED EQUITY  
(DOLLAR AMOUNTS IN THOUSANDS)

	FOR THE YEAR ENDED DECEMBER 31,		
	1995	1994	1993
Balance at beginning of year.....	\$ 514,469	\$457,234	\$ 784,877
Net earnings.....	107,247	80,665	65,554
Equity translation adjustments.....	(1,761)	(4,120)	2,632
Minimum pension liability adjustments....	(65,745)	52,176	(125,905)
Intercompany transactions, net.....	(240,484)	(71,486)	(269,944)
Balance at end of year.....	\$ 313,726	\$514,469	\$ 457,234

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



ELECTRONIC SYSTEMS

(A UNIT OF WESTINGHOUSE ELECTRIC CORPORATION)

NOTES TO COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 1995, 1994 AND 1993

(DOLLAR AMOUNTS IN THOUSANDS)

NOTE 1 NATURE OF OPERATIONS AND RELATIONSHIPS WITH WESTINGHOUSE

General

Electronic Systems (the Company), a unit of Westinghouse Electric Corporation (Westinghouse), provides advanced electronic systems, products and technologies primarily to U.S. and non-U.S. government agencies. The Company is not a legal entity. The operations included in these financial statements are substantially the Electronic Systems segment of Westinghouse as disclosed by Westinghouse for external reporting purposes. However, for purposes of these financial statements, operations disposed of or transferred to other business units during the three year period ended December 31, 1995 and those operations which will be retained by Westinghouse have been excluded for all years presented because any remaining assets and liabilities related to these entities are not included in the sale of the Company to Northrop Grumman Corporation (see Note 18).

The Company operates in one business segment -- the research, development, production and support of advanced electronic systems. The Company derives a substantial portion of its revenue from long-term contracts for systems development and production and related services principally in defense electronics, air traffic control systems and space systems. Significant customers include the U.S. Department of Defense (DOD), the Federal Aviation Administration (FAA) and the National Aeronautics and Space Administration (NASA). Sales to U.S. government agencies totalled \$2,040,000, \$1,789,000, and \$2,039,000 in 1995, 1994 and 1993, respectively.

As more fully described in Notes 2, 3, 4, 5, 6, and 17, the periodic reporting of results for long-term government contracts is inherently dependent on the extensive use of estimates. All such estimates have been made to the best of management's ability based upon facts available at the time, but it is possible that future developments may require revisions of those estimates.

Related Party Transactions

The Company is an integrated component of Westinghouse's operations and receives a number of administrative and support services from Westinghouse and participates in a number of Westinghouse employee benefit plans and is included in Westinghouse's insurance programs and income tax returns. Further information about such relationships and transactions is included in Notes 2, 12, 13, 17 and 18.

Principles of Combination

The combined financial statements of the Company primarily comprise the accounts of one Westinghouse operating unit which is not a separate legal entity and certain subsidiaries of Westinghouse. All material intercompany accounts and transactions have been eliminated in combination.

Revenue Recognition

The majority of the Company's revenue results from contract services performed under a variety of contracts, including cost plus, fixed-price and time-and-materials type contracts. Sales under government and commercial fixed-price incentive contracts are recorded at the time deliveries are made or, for long-term contracts with a duration in excess of two years, upon the completion of specific tasks (pre-defined milestones). Sales under cost-reimbursement contracts are recorded as work is performed and billed. Estimated contract profits are recorded in proportion to recorded sales. Some contracts contain incentive provisions which provide for increased or decreased earnings based upon performance in relation to established targets. Such adjustments are considered in estimating sales and profit rates and are recorded when there is sufficient information to assess anticipated contract performance. Revenues relating to contracts or contract changes that have not been completely priced, negotiated, documented, or funded are not recognized unless realization is considered probable.

Major contracts for complex military systems are performed over extended periods of time and are subject to changes in scope and delivery schedules. Pricing negotiations on changes and settlement of claims often extend over prolonged periods of time. Estimates of final contract revenues include future revenue from expected recovery on claims. Such revenues are included when it is probable that the claim will result in additional contract revenue, when the amount can be reliably estimated and legal entitlement has been established.

Estimates are reviewed periodically, and changes in estimated contract revenue and costs which result in changes to estimated contract profit are recognized in the period in which they are determined. Provisions for anticipated losses on contracts are recorded in full as they are identified.

A standard one year warranty against defective material and workmanship is provided for products sold. Standard warranty costs, which have not been significant, are reported as incurred. Warranty beyond the scope of defective material and workmanship is quoted as a separate contract cost element, and provision is made for the anticipated warranty costs as sales are recognized.

Cash and Cash Equivalents

Westinghouse performs cash management on a centralized basis in North America for the Company as well as for other Westinghouse businesses. Under such service arrangements, accounts receivable are collected and cash is invested centrally. Activity in the Company's cash balances supporting its North American operations is recorded through the invested equity account with Westinghouse. The Company maintains certain separate bank accounts primarily related to its non-North American operations; the balances in such accounts are included in cash and cash equivalents in the accompanying balance sheet. The Company considers cash and cash equivalents to include cash on hand and on deposit and highly liquid investments with original maturities at date of acquisition generally of three months or less.

## Debt and Interest Cost

Westinghouse has not allocated any portion of its debt or related interest cost to the Company, and no portion of Westinghouse's debt is specifically related to the operations of the Company. Accordingly, the Company's financial statements include no charges for interest or capitalized interest.

## Inventories

Inventories consist principally of unreimbursed costs under fixed-price contracts and are stated at total costs incurred reduced by the estimated average cost of deliveries. Inventoried costs include both direct contract costs and allocable overhead costs (generally determined on an average cost basis). All other inventories are stated at the lower of cost (generally determined on an average cost basis) or market.

## Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets (buildings, 40-45 years; land improvements, 15-25 years; machinery and equipment, 8-12 years; furniture and fixtures, 5-10 years; and information systems equipment, 3-5 years). Leasehold improvements are amortized on a straight-line basis over the shorter of the lease term or the estimated useful lives of the improvements. Capitalization of newly acquired assets is limited to those with cost in excess of \$1.5 (one thousand, five hundred dollars).

## Goodwill and Other Intangible Assets

Goodwill and other intangible assets are amortized using the straight-line method over their estimated lives, but not exceeding 40 years for assets acquired prior to January 1, 1994 and not in excess of 15 years for assets acquired after December 31, 1993.

Subsequent to the acquisition of an intangible asset, management continually evaluates whether later events or circumstances have occurred that indicate the remaining estimated useful life of an intangible asset may warrant revision or that the remaining balance of such an asset may not be recoverable. When factors indicate that an intangible asset should be evaluated for possible impairment, management uses an estimate of the undiscounted future cash flows of the asset over its remaining useful life in measuring whether the intangible asset is recoverable. If such an analysis indicates that impairment has in fact occurred, the book value of the intangible asset is written down to its estimated realizable value.

## Income Taxes

Historically, the results of the Company's domestic operations have been included in the consolidated U.S. federal income tax return of Westinghouse. The results of the Company's foreign operations have been reported separately in their respective taxing jurisdictions. The income tax expense and other tax-related information in these statements is presented as if the Company had not been eligible to be included in the consolidated tax returns of Westinghouse or other affiliates (i.e., the Company on a stand-alone basis). The recognition and measurement of income tax expense and deferred income taxes required certain assumptions, allocations, and significant estimates which management believes are reasonable to measure the tax consequences as if the Company was a stand-alone taxpayer.

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards (SFAS) No. 109 "Accounting for Income Taxes." SFAS 109 requires the asset and liability

method of accounting for income taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in years in which those temporary differences are expected to be recovered or settled.

For purposes of these financial statements, any current income tax liabilities are considered to have been paid by Westinghouse and are recorded through the invested equity account with Westinghouse.

Deferred federal income taxes have not been provided on the cumulative undistributed earnings of foreign affiliates as these earnings are considered to be permanently reinvested.

#### Employee Benefit Plans

Westinghouse has a number of employee benefit plans covering substantially all employees. Historically, most of the Company's employees have participated in the Westinghouse plans for pensions, postretirement benefits other than pensions, and postemployment benefits. In addition, the Company has maintained its own pension and postretirement benefit plans for certain of its employees not included in the Westinghouse plans. Most pension plan benefits are based on years of service and compensation levels at the time of retirement, a formula based on career earnings or a final average compensation amount. Pension benefits are paid from trusts funded by contributions from employees and Westinghouse. The pension funding policy is consistent with the funding requirements of U.S. federal and other governmental laws and regulations. Plan assets consist primarily of listed stocks, fixed income securities and real estate investments. Postretirement benefit arrangements consist of various retiree medical, dental and life insurance arrangements sponsored by Westinghouse.

For purposes of these financial statements, the costs and related balance sheet accounts and disclosures for pensions, postretirement benefits other than pensions, and postemployment benefits have been presented as if the portion of the plans relating to the Company's employees had been segregated from the Westinghouse plans as separate plans. The accumulated benefit obligation (ABO) and projected benefit obligation (PBO) for pensions and accumulated postretirement benefit obligation (APBO) were calculated based on demographic data for the active, inactive, and retired employees of the Company. Plan assets and unrecognized net transition obligation, prior service cost and gain or loss were allocated based on the proportion of the Company's PBO or APBO to the total Westinghouse PBO or APBO for pensions and postretirement benefits other than pensions, respectively. The actuarially determined net periodic costs and related balance sheet accounts have been reflected in these financial statements. Contributions have been recorded through the invested equity account. Management believes that the assumptions, allocations, and significant estimates used are reasonable.

#### Research and Development Costs

Research and development costs are incurred under both independent Company-initiated programs and under contracts for specific programs with others, primarily the U.S. government. Research and development costs incurred under contract are charged to inventory as contracts in progress. Independent research and development costs which are not incurred in performance of specific contract requirements are reimbursable as indirect period cost through government-mandated cost accounting procedures. Unallowable research and development costs are charged against income as incurred.

## Foreign Currency

Non-U.S. operations utilize the local currency as the functional currency. Assets and liabilities are translated into U.S. dollars at the exchange rate applicable at the time of translation, while revenue and costs are translated at the average rates of exchange prevailing during the year. Translation adjustments are accumulated in invested equity. Foreign exchange gains and losses incurred on foreign currency transactions are included in income. The Company has entered into forward exchange contracts to hedge the effect of foreign currency fluctuations on certain transactions and commitments denominated in foreign currencies. The Company's foreign exchange policy includes matching purchases and sales in national currencies when possible and hedging unmatched transactions in excess of \$250. Gains and losses on commitment hedges are deferred and included in the basis of the transaction underlying the commitment. Gains and losses on transaction hedges are recognized in income and offset the foreign exchange gains and losses on the related transactions.

## Credit Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist of billed accounts receivable and unbilled accounts receivable (principally unreimbursed costs and fees under contracts). Receivables result primarily from contracts with U.S. and non-U.S. governments and from subcontracts with prime contractors to the U.S. government. Contracts with the U.S. government do not require collateral or other security. The Company conducts ongoing credit evaluations of non-government customers and generally does not require collateral or other security from these customers. The Company generally has negotiated terms and conditions which provide for non-U.S. government customers to make advance payments in amounts sufficient to limit the Company's credit risk. Historically, the Company has not incurred any significant credit related losses under its long-term contracts.

## Fair Value of Financial Instruments

The carrying amount of the Company's cash and cash equivalents and trade accounts receivable approximates fair value.

## NOTE 3 ACQUISITION

Effective June 1, 1994, the Company acquired certain assets of the Norden Systems Division (Norden) of United Technologies Corporation for \$94,600, of which \$72,700 was paid at closing and the remaining \$21,900 in January 1995, and assumed certain liabilities. Norden designs and manufactures advanced electronic systems for combat vehicles, aircraft, ships, submarines and air traffic control. The transaction was accounted for using the purchase method of accounting and, accordingly, the purchase price has been allocated to assets acquired and liabilities assumed based on the estimated fair value of such assets and liabilities at the date of acquisition. The purchase price resulted in an excess of costs over net assets acquired of approximately \$56,100. Such excess is being amortized on a straight-line basis over 13 years. Norden's results of operations have been included in the consolidated results of operations since the date of acquisition.

The following unaudited pro forma information presents the results of operations of the Company and Norden for the years ended December 31, 1994 and 1993, with pro forma adjustments as if the Norden acquisition had occurred as of the beginning of the periods presented. The pro forma presentation does not purport to be indicative of what would have occurred had the acquisition been made as of those dates or of results which may occur in the future.

	1994 -----	1993 -----
Revenue.....	\$2,258,081	\$2,570,693
Earnings before cumulative effect of accounting change.....	69,364	77,687
Net earnings.....	69,364	64,310

A \$25 million liability was established in conjunction with the Norden acquisition for the consolidation of administrative and manufacturing facilities at the Norwalk and Melville locations into Baltimore, of which \$1.7 million has been expended to date; the consolidation is to be completed by May 1997. A memorandum of understanding for the treatment of the costs of the consolidation actions has been reached with the Corporate Administrative Contracting Officer. Such costs are subject to recovery through inclusion in allowable costs for government rate purposes over future periods. However, because the extent of recovery is not estimable, no asset has been recorded for any amounts that might ultimately be recovered from inclusion of these costs in future contracting rates.

#### NOTE 4 SPECIAL RESTRUCTURING ACTIONS

Management is committed to ongoing restructuring actions that will enhance the Company's competitive position in the defense industry. As a result, net restructuring charges principally related to workforce reductions, asset writedowns, and consolidation of facilities of \$51,200, \$8,600 and \$90,500 were recorded by the Company and charged against income in 1995, 1994 and 1993, respectively. A portion of the restructuring charges are expected to be allowed as indirect costs under the Company's government contracts in future periods. The amount estimated to be subject to recovery through inclusion for government rate purposes for years after 1995 is approximately \$94 million. Because the extent of recovery is not estimable, no asset has been recorded for any amounts that might ultimately be recovered from the inclusion of these costs in future contracting rates.

The 1993 and 1994 actions included the separation of approximately 1,000 employees, exiting of certain product lines and closure of certain facilities. In 1995, management announced a series of additional restructuring actions that included the separation of approximately 1,300 employees and the closure of additional facilities. The following table is a reconciliation of the restructuring charges under each of the initiatives to the remaining amounts accrued at December 31, 1995:

	EMPLOYEE SEPARATION COSTS -----	ASSET WRITEDOWNS -----	FACILITY CLOSURE & RATIONALIZATION COSTS -----	OTHER -----	TOTAL -----
1993 provision.....	\$ 37,600	\$ 30,500	\$15,700	\$ 6,700	\$ 90,500
Expenditures/disposals.....	(1,400)		(800)		(2,200)
Balance at December 31, 1993..	36,200	30,500	14,900	6,700	88,300
1994 provision.....	6,000				6,000
Expenditures/disposals.....	(34,600)	(22,100)	(5,600)	(5,900)	(68,200)
Adjustments.....	5,300	200	(2,200)	(700)	2,600
Balance at December 31, 1994..	12,900	8,600	7,100	100	28,700
1995 provision.....	61,000	5,700	1,700	400	68,800
Expenditures/disposals.....	(17,700)	(300)	(1,000)		(19,000)
Adjustments.....	(4,000)	(8,900)	(4,600)	(100)	(17,600)
Balance at December 31, 1995..	\$ 52,200	\$ 5,100	\$ 3,200	\$ 400	\$ 60,900

Actions related to the above restructuring programs are expected to be substantially completed by December 1996.

NOTE 5 TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable consist of the following:

	DECEMBER 31,	
	----- 1995 -----	1994 ----- -----
Commercial.....	\$ 65,861	\$ 50,371
Government contracts		
Billed.....	165,858	132,593
Unbilled.....	53,488	57,041
	-----	-----
	285,207	240,005
Less: Allowance for doubtful and potentially unrecoverable amounts...	(2,180)	(2,808)
	-----	-----
	\$283,027	\$ 237,197
	-----	-----

Unbilled receivables consist of amounts of revenue recognized on contracts for which billings have not been presented to the customers. Such amounts are usually billed and collected within one year.

The Company generally has several open contract disputes with its customers, particularly the U.S. government, at any point in time. These disputes arise in the normal course of long-term contracting and most of the disputes are formalized in Requests for Equitable Adjustments (RFEAs) that relate primarily to work beyond the scope of the contracts. Customers occasionally terminate contracts before completion, resulting in Termination for Convenience Claims (TCs). Unbilled accounts receivable at December 31, 1995 and 1994 included \$29,800 and \$37,300, respectively, in RFEAs and \$13,300 and \$13,200, respectively, in TCs. Management believes that the amounts are collectible during 1996.

Substantially all billed accounts receivable are expected to be collected within one year.

NOTE 6 INVENTORIES AND COSTS INCURRED UNDER LONG-TERM CONTRACTS

Inventories consists of the following:

	DECEMBER 31,	
	1995	1994
Raw materials.....	\$ 10,689	\$ 17,908
Work-in-process.....	264,617	321,436
Finished goods.....	1,748	1,866
	-----	-----
	277,054	341,210
Profit on long-term contracts-in-progress.....	277,826	387,668
Progress payments to subcontractors.....	52,837	58,377
Recoverable engineering and development costs.....	197,556	290,302
	-----	-----
	805,273	1,077,557
Inventoried costs and profits related to contracts with progress billing terms.....	(622,711)	(874,003)
	-----	-----
Inventories.....	\$ 182,562	\$ 203,554

Costs of \$81,087 and \$90,212 are included in inventory at December 31, 1995 and 1994, respectively, for projects or products which were not under contract at those dates. Management of the Company believes that all inventories will be recovered in the normal course of business, and that costs incurred in advance of contractual coverage at December 31, 1995 will receive firm contractual coverage in 1996.

Costs and profits on long-term contracts with progress billing terms are presented in the accompanying financial statements according to the funded status of individual contracts as shown below:

	DECEMBER 31,	
	1995	1994
Costs and profits included in inventories.....	\$ 554,518	\$ 795,342
Progress billing on contracts.....	(375,735)	(576,312)
	-----	-----
Uncompleted contract costs and profits over related billings.....	\$ 178,783	\$ 219,030
	-----	-----
Progress billings on contracts.....	\$ 196,500	\$ 154,573
Costs and profits included in inventories.....	(68,193)	(78,661)
	-----	-----
Uncompleted contracts billings over related costs and profits.....	\$ 128,307	\$ 75,912

The government has a security interest in the inventories identified with progress billable contracts.



NOTE 7 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following:

	DECEMBER 31,	
	1995	1994
Land and land improvements.....	\$ 16,815	\$ 13,732
Buildings and building improvements.....	115,811	117,044
Machinery, equipment, furniture and fixtures.....	899,049	902,085
Leasehold improvements.....	29,390	31,453
	-----	-----
	1,061,065	1,064,314
Less: Accumulated depreciation and amortization....	(706,237)	(684,258)
	-----	-----
	354,828	380,056
Construction-in-progress.....	49,333	34,668
	-----	-----
	\$ 404,161	\$ 414,724
	-----	-----

Depreciation and amortization expense was \$60,117, \$64,932 and \$64,104 in 1995, 1994 and 1993, respectively.

NOTE 8 GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and other intangible assets comprise:

	DECEMBER 31,	
	1995	1994
Patents and licenses.....	\$ 21,855	\$ 20,710
Excess of cost over fair value of acquired businesses.....	131,650	137,087
Intangible pension asset.....	19,288	26,721
	-----	-----
	172,793	184,518
Less: Accumulated amortization.....	(34,540)	(24,897)
	-----	-----
	\$ 138,253	\$159,621
	-----	-----

Amortization expense was \$9,643, \$7,932 and \$4,454 in 1995, 1994 and 1993, respectively.

NOTE 9 OTHER NONCURRENT ASSETS

Other noncurrent assets comprise:

	DECEMBER 31,	
	1995	1994
Long-term receivables.....	\$ 9,811	\$ 12,036
Equity investments.....	606	8,413
Other.....	1,245	4,686
	-----	-----
	\$ 11,662	\$ 25,135
	-----	-----

NOTE 10 ACCRUED EXPENSES

Accrued expenses comprise:

	DECEMBER 31,	
	1995	1994
Price and fee reserves.....	\$ 73,243	\$ 48,527
Restructuring reserve (Note 4).....	60,900	28,700
Vacation liability.....	44,027	46,043
Accrued payroll and employee benefits.....	43,350	42,647
Reserve for contract loss.....	14,966	5,034
Current portion of Norden consolidation liability (Note 3).....	13,500	11,400
Accrued product warranty.....	12,283	16,236
Other.....	51,862	54,052
	\$314,131	\$252,639

NOTE 11 INCOME TAXES

The provision (benefit) for income taxes by taxing jurisdiction consists of the following:

	YEAR ENDED DECEMBER 31,		
	1995	1994	1993
Current			
U.S. federal.....	\$57,517	\$ 74,862	\$ 51,143
State and foreign.....	14,614	17,674	11,763
	72,131	92,536	62,906
Deferred			
U.S. federal.....	(6,163)	(37,487)	(12,599)
State and foreign.....	(1,305)	(8,228)	(3,013)
	(7,468)	(45,715)	(15,612)
Total provision for income taxes.....	\$64,663	\$ 46,821	\$ 47,294

A reconciliation from the statutory U.S. federal income tax rate to the Company's effective income tax rate follows:

	YEAR ENDED DECEMBER 31,		
	1995	1994	1993
Statutory U.S. federal income tax rate..	35.0%	35.0%	35.0%
Increase (decrease) in the tax rate resulting from:			
State taxes, net of U.S. federal tax benefit.....	4.4	4.3	4.5
Other.....	(1.8)	(2.6)	(2.0)
Effective income tax rate.....	37.6%	36.7%	37.5%

The components of deferred tax assets and liabilities included in the combined statement of financial position are as follows:

	DECEMBER 31,	
	1995	1994
<b>Assets</b>		
Provisions for expenses and losses.....	\$ 97,126	\$ 77,222
Employee related accruals.....	264,358	226,573
Inventories.....	14,238	16,423
Long-term contracts in process.....	10,583	21,896
	-----	-----
	386,305	342,114
<b>Liabilities</b>		
Depreciation and amortization.....	(71,774)	(78,587)
Other.....	(5,830)	(5,632)
	-----	-----
	(77,604)	(84,219)
Net deferred tax asset.....	-----	-----
	\$308,701	\$257,895
Deferred taxes are displayed as follows:		
Net current deferred tax assets.....	\$135,644	\$129,162
Net noncurrent deferred tax assets.....	173,057	128,733
	-----	-----
	\$308,701	\$257,895
	-----	-----

NOTE 12 EMPLOYEE BENEFIT PLANS

Pensions

Net periodic pension cost was as follows:

	YEAR ENDED DECEMBER 31,		
	1995	1994	1993
Service cost.....	\$ 17,172	\$ 25,646	\$ 18,749
Interest cost on projected benefit obligations.....	87,909	91,591	95,815
Actual return on plan assets.....	(133,863)	1,389	(88,605)
Net amortization and deferrals.....	81,244	(53,425)	12,011
	-----	-----	-----
Net periodic pension cost.....	\$ 52,462	\$ 65,201	\$ 37,970
	-----	-----	-----

Net periodic pension cost decreased \$12,739 in 1995 compared to 1994, due primarily to reduced amortization cost as a result of a pension settlement charge of \$60,984 recognized in 1994.

The Company's restructuring activities contributed to a high level of lump sum cash distributions from the pension fund during 1994. The magnitude of these cash distributions required that the Company apply the provisions of SFAS No. 88, "Employers' Accounting for Settlements and Curtailments of Defined

Benefit Pension Plans and for Termination Benefits," and recognize a settlement loss of \$60,984 during the fourth quarter of 1994. This charge was recorded as an other expense item in the 1994 statement of earnings (see Note 14). This noncash charge to income represents the pro-rata portion of unrecognized losses associated with the pension obligation that was settled.

The actuarial present value of benefit obligations and funded status were as follows:

	DECEMBER 31,	
	1995	1994
Actuarial present value of benefit obligation		
Vested.....	\$(1,130,535)	\$(1,008,994)
Nonvested.....	(33,604)	(29,501)
Accumulated benefit obligation.....	\$(1,164,139)	\$(1,038,495)
Projected benefit obligation.....	\$(1,270,998)	\$(1,133,188)
Plan assets at fair value.....	794,744	759,197
Projected benefit obligation in excess of plan assets.....	(476,254)	(373,991)
Unrecognized prior service cost (benefit).....	(27,973)	(28,422)
Unrecognized losses, net.....	506,062	384,317
Unrecognized net transition obligation....	47,261	55,143
Prepaid pension cost.....	49,096	37,047
Adjustment to recognize minimum liability	(418,491)	(316,345)
Accrued pension liability.....	\$ (369,395)	\$ (279,298)

For financial reporting purposes, a pension plan is considered unfunded when the fair value of plan assets is less than the accumulated benefit obligation. When that is the case, a minimum pension liability must be recognized for the sum of the unfunded amount less any accrued pension cost. In recognizing such a liability, an intangible asset is usually recorded. However, the amount of the intangible asset may not be greater than the sum of the prior service cost not yet recognized and any unrecognized transition obligation. When the liability to be recognized is greater than the intangible asset limit, the excess is charged to invested equity, net of any tax effects which could be recognized in the future.

At December 31, 1995, a minimum pension liability of \$418,491 was recognized for the sum of the unfunded amount of \$369,395 plus the prepaid pension cost of \$49,096. An intangible asset of \$19,288 and a charge to invested equity of \$399,203, which was reduced to \$239,522 due to tax deferrals of \$159,681, offset the pension liability. As a result of this remeasurement, year-end 1995 invested equity was decreased by \$65,745 from December 31, 1994.

At December 31, 1994, a minimum pension liability of \$316,345 was recognized for the sum of the unfunded amount of \$279,298 plus the prepaid pension cost of \$37,047. An intangible asset of \$26,721 and a charge to invested equity of \$289,624, which was reduced to \$173,777 due to tax deferrals of \$115,847, offset the pension liability. As a result of this remeasurement, year-end 1994 invested equity was increased by \$52,176 from December 31, 1993.

The Company sponsors various nonqualified supplemental pension plans which provide additional benefits to certain employees and are paid from the Company's assets. The unfunded accumulated benefit obligation under these plans at December 31, 1995 was \$37,500 and is included in the accrued pension liability above.

Assumptions used in developing the projected benefit obligations as of December 31 were as follows:

	1995	1994	1993
	-----	-----	-----
Discount rate.....	6.75%	8.50%	7.25%
Rate of increase in compensation...	4.00%	4.00%	4.00%
Rate of return on plan assets.....	9.75%	9.75%	9.75%

In addition to the above described defined benefit pension plans, employees of the Company meeting certain eligibility requirements may elect to participate in employee savings plans sponsored by Westinghouse and the Company which qualify as deferred salary arrangements under Section 401(k) of the Internal Revenue Code. Under these plans, participating employees may defer a portion of their pretax earnings, subject to statutory limitations. The Company matches a portion of employees' contributions. Expense recorded by the Company related to these plans was \$16,338, \$15,869, and \$15,939 in 1995, 1994 and 1993, respectively.

Postretirement Benefits Other than Pensions

Net periodic postretirement cost was as follows:

	YEAR ENDED DECEMBER 31,		
	1995	1994	1993
	-----	-----	-----
Service cost.....	\$ 2,768	\$ 4,360	\$ 3,286
Interest cost on accumulated postretirement benefit obligation.....	23,253	21,287	21,809
Amortization of unrecognized net loss....		1,053	
Actual return on plan assets.....	(218)		
Net periodic postretirement benefit cost.	\$25,803	\$26,700	\$ 25,095
	-----	-----	-----

The actuarial present value of benefit obligations and funded status were as follows:

	DECEMBER 31,	
	1995	1994
Accumulated postretirement benefit obligation:		
Retirees.....	\$(220,801)	\$(183,779)
Fully eligible active participants.....	(11,517)	(9,801)
Other active participants.....	(96,962)	(81,174)
Accumulated benefit obligation.....	(329,280)	(274,754)
Plan assets at fair value.....	3,000	2,748
Accumulated benefit obligation in excess of plan assets.....	(326,280)	(272,006)
Unrecognized net loss.....	62,250	8,244
Accrued postretirement benefits.....	\$(264,030)	\$(263,762)

The accumulated postretirement benefit obligation was calculated using the terms of Westinghouse's medical, dental and life insurance plans, including the effects of established maximums on covered costs.

The effect of a 1% annual increase in the assumed healthcare cost trend rates would increase the accumulated postretirement benefit obligation by approximately \$19,169 and would increase net periodic postretirement benefit cost by approximately \$1,620.

Assumptions used in developing the projected benefit obligation at December 31 were as follows:

	1995	1994	1993
Discount rate.....	6.75%	8.50%	7.25%
Compensation increase rate.....	4.00%	4.00%	4.00%
Healthcare cost trend rates.....	10.50%	11.00%	12.00%
Long-term rate of return on plan assets..	7.00%	7.00%	9.75%

#### Postemployment Benefits

The Company provides certain postemployment benefits to former or inactive employees and their dependents during the time period following employment but before retirement. These amounts include salary continuation and other miscellaneous postemployment benefits such as weekly accident and sickness pay, life insurance and death gratuities. Electronic Systems' liability for postemployment benefits was \$14,994 and \$15,652 at December 31, 1995 and 1994, respectively. In December 1993, Electronic Systems adopted, retroactive to January 1, 1993, SFAS No. 112, "Employers Accounting for Postemployment Benefits". Electronic Systems' charge for adoption of SFAS 112 at January 1, 1993 was \$13,377, net of \$8,918 of deferred taxes, and was immediately recognized as a cumulative effect of a change in accounting for postemployment benefits.

#### NOTE 13 RELATED PARTY TRANSACTIONS

The Company purchases products from and sells products to other Westinghouse operations on a limited basis. The Company also purchases certain services from Westinghouse, including liability,

property and workers' compensation insurance. These transactions are discussed in further detail below. All transactions with Westinghouse are assumed to be immediately settled and, accordingly, are recorded through the invested equity account.

#### Corporate Services

The Company uses, and is charged directly for, certain services that Westinghouse provides to its business units. These services generally include information systems support, certain accounting functions, such as transaction processing, legal services, environmental affairs, human resources and telecommunications. The Company also purchases other Westinghouse internally-provided services as needed, including printing, productivity and quality consulting and other services.

Westinghouse centrally develops, negotiates and administers Electronic Systems' insurance programs. The insurance includes broad all-risk coverage for real and personal property, third-party liability coverage, employer's liability, automobile liability, general product liability, and other standard liability coverage. Westinghouse also maintains a program of self-insurance for workers' compensation in the U.S. The cost of this program is charged to the Company based on claims history.

All of the cost of services described above are included in the combined statement of earnings. Such charges are based on costs which directly relate to the Company on a basis that management believes is reasonable. However, management believes that it is possible that the costs of these transactions may differ from those that would result from transactions among unrelated parties. Charges included in the statement of earnings related to the services above are \$51,323, \$56,468 and \$69,857 for 1995, 1994 and 1993, respectively.

#### Other Corporate Expenses

Westinghouse allocates a certain portion of its corporate expenses to its business units. These allocated costs include Westinghouse executive management and corporate overhead; corporate legal, environmental, audit, treasury and tax services, and other corporate support and executive costs.

These corporate expenses are allocated primarily based on payroll dollars. Such allocations are not necessarily indicative of actual results and it is not practical for management to estimate the level of expenses that might have been incurred had the Company operated as a separate stand-alone entity.

Amounts so allocated included in the statement of earnings are \$47,457, \$45,949 and \$46,078 for 1995, 1994 and 1993, respectively, approximately one-half of which is allowable for the Company's government contract pricing purposes in accordance with government-mandated cost accounting procedures.

#### Guarantees

The Company provides guarantees to customers in the form of standby letters of credit for Company bids, advance payments and performance of contractual obligations. Such guarantees are supported by Westinghouse's lines of credit. At December 31, 1995 there are 53 guarantees in the amount of approximately \$202 million outstanding. The cost for the lines of credit which support the guarantees is charged to the Company and is inventoried if specifically related to an ongoing contract or otherwise expensed as incurred.

NOTE 14 OTHER EXPENSE, NET

Other (income) expense consists of the following:

	YEAR ENDED DECEMBER 31,		
	1995	1994	1993
Loss on disposition of fixed assets.....	\$ 3,508	\$ 2,175	\$ 3,603
Share of net losses of investees.....	5,423	405	3,917
Pension settlement loss (Note 12).....		60,984	
Other.....	4,885	(1,100)	4,235
	\$13,816	\$62,464	\$11,755

NOTE 15 FORWARD EXCHANGE CONTRACTS

At December 31, 1995, the Company had outstanding forward exchange contracts to buy the U.S. dollar equivalent of \$6,592 of foreign currencies and sell the U.S. dollar equivalent of \$15,447 of foreign currencies. These contracts mature in various periods through March 1998 and were entered into to hedge foreign currency commitments. The aggregate fair value of these forward exchange contracts at December 31, 1995 was \$6,414 and \$14,176 bought and sold, respectively.

NOTE 16 GEOGRAPHIC INFORMATION

A summary of geographic information relating to foreign and domestic operations is presented below:

	YEAR ENDED DECEMBER 31,		
	1995	1994	1993
Sales			
U.S.....	\$2,510,433	\$2,135,503	\$2,299,698
Non-U.S.....	44,057	49,282	48,375
	\$2,554,490	\$2,184,785	\$2,348,073
Earnings before income taxes and cumulative effect of accounting change			
U.S.....	\$ 167,732	\$ 126,050	\$ 123,646
Non-U.S.....	4,178	1,436	2,579
	\$ 171,910	\$ 127,486	\$ 126,225
Assets			
U.S.....	\$1,492,617	\$1,484,836	\$1,569,868
Non-U.S.....	32,416	38,186	42,934
	\$1,525,033	\$1,523,022	\$1,612,802



Export sales included in U.S. sales above were \$546,529, \$466,970 and \$354,923 for 1995, 1994 and 1993, respectively.

NOTE 17 COMMITMENTS AND CONTINGENCIES

The Company leases certain office space and facilities and equipment under noncancelable operating leases which expire in various years through 2010. These leases generally provide for renewal options ranging from one to five years. In addition, certain of such leases require the Company to share proportionately in building operating costs and real estate taxes and contain escalation clauses for periodic increases. Rental expense incurred under such leases was approximately \$32,067, \$25,753 and \$39,217 in 1995, 1994 and 1993, respectively. These amounts include payments to West Quest Limited Partnership, of which the Company is a 25% owner, of \$5,400, \$5,268 and \$5,140 in 1995, 1994 and 1993, respectively. Future minimum lease commitments at December 31, 1995, are as follows:

1996.....	\$ 23,258
1997.....	16,593
1998.....	14,443
1999.....	13,658
2000.....	13,164
2001 and thereafter.....	40,196
	-----
	\$121,312
	-----

These minimum lease commitments include amounts due to West Quest Limited Partnership of \$5,335 -- 1996, \$5,673 -- 1997, \$5,815 -- 1998, \$5,960 -- 1999, \$6,109 -- 2000, and \$9,164 -- thereafter.

All of the costs that are directly or indirectly allocable to the Company's U.S. government contracts or subcontracts are subject to audit by the Defense Contract Audit Agency (DCAA) or other government agencies. Payments made to the Company under cost-reimbursable contracts, which represent approximately 30% of total revenue during 1995, are subject to adjustment (including refunds to the government) in the event that claimed overhead costs are determined to be unallowable for reimbursement. In addition, the DCAA has made various allegations under the Truth in Negotiation Act (TINA). Certain of these matters are currently under review by the DCAA or other government agencies. As of December 31, 1995, DCAA had completed rate audits through 1988 and has open allegations dating back to 1985. While the outcome of these matters is uncertain, the Company believes that its existing accruals for any such matters are adequate and that future audits and final adjustments will not have a significant impact on the Company's financial position.

In the normal course of its operations, the Company becomes involved in certain legal proceedings, including contract claims and disputes, employment related disputes or litigation, environmental matters, and investigations of compliance with government laws and regulations. In the opinion of management, based upon information presently available, after consideration of existing accruals, none of these matters is likely to have a significant effect upon the financial position of the Company. The more significant of these matters are discussed below:

Herman/EEOC

In January 1993, Herman and 96 (later 106) other former Electronic Systems employees filed suit for unlawful termination associated with a reduction in force (RIF) of approximately 1,200 employees. In April 1993, the EEOC filed suit in connection with the same RIF. These cases have been consolidated for the purpose of discovery. Both suits are based on alleged age discrimination and together involve 385 plaintiffs, 126 of whom have been dismissed with prejudice from the action. The Federal Court in Baltimore has adopted a multi-phase trial structure plan pursuant to which in the initial phase only a few of the remaining 259 plaintiffs claims would be tried and resolved. The first phase trial is presently expected to commence in 1996.

Abu Dhabi

In April 1994, suit was brought in Abu Dhabi Civil Court for \$21 million in compensation allegedly due to the plaintiff under an oral agreement to provide information and consulting services to Electronic Systems in support of its efforts to win a contract. The trial court issued a judgment in November 1995, awarding \$3 million to the plaintiff. Both of the parties have appealed this decision, and a quasi-de novo trial will now be held on this matter at the next higher court.

Over and above any judgment the Court may render in this case, Electronic Systems could be subject to a penalty of up to \$70 million under the contract if the Court determines that the plaintiff was an agent for Electronic Systems.

Iran-Iranian Air Force Claim

In 1982, Electronic Systems filed claims against the Islamic Republic of Iran Air Force (IRIAF) with the Iran - U.S. Claims Tribunal. The Company is claiming compensation in respect of the failure of IRIAF to pay sums due under several contracts, and IRIAF has submitted counterclaims challenging the Company's performance of the contracts. The trial in this case was completed in March 1992, and the parties are awaiting the decision of the Tribunal.

Iran-Iranian Defense Ministry Claim

In October 1991, the Ministry of Defense of the Islamic Republic of Iran brought an arbitration before the International Court of Arbitration of the International Chamber of Commerce against the Company alleging breach of nine radar equipment contracts that had been executed and performed prior to the 1979 Iranian Revolution. Only one of those contracts contained an arbitration clause, and as a preliminary matter, the Company sought to dismiss the arbitration proceeding with regard to the other eight contracts. The Company also sought to dismiss all of the claims as untimely because the arbitration was filed well after the expiration of the applicable statutes of limitations.

A hearing was held in July 1995 with respect to Electronic Systems' motion to dismiss this case and the parties are awaiting a decision of the arbitrators.

NOTE 18 SUBSEQUENT EVENT

On January 3, 1996, Westinghouse and Northrop Grumman Corporation (Northrop Grumman) entered into an Asset Purchase Agreement whereby substantially all of the operations and assets of the Company will be sold to Northrop Grumman, and Northrop Grumman will assume substantially all of the liabilities of the Company. The consummation of the sale is scheduled to take place on March 1, 1996, pending regulatory approval.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

NORTHROP GRUMMAN CORPORATION

Date: March 18, 1996

By: /s/ James C. Johnson

-----  
James C. Johnson  
Corporate Vice President and Secretary

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EXHIBIT INDEX

Exhibit Number	Description of Exhibit
2.1	Asset Purchase Agreement dated as of January 3, 1996, between Westinghouse Electric Corporation, a Pennsylvania corporation, as Seller, and Northrop Grumman Corporation, a Delaware corporation, as Buyer (the "Purchase Agreement"). (Schedules and Exhibits have been omitted pursuant to Rule 6.01(b)(2) of Regulation S-K. Such Schedules and Exhibits are listed and described in the Purchase Agreement. Registrant hereby agrees to furnish to the Securities and Exchange Commission, upon its request, any or all such omitted Schedules and Exhibits.)
2.2	Letter Agreement dated February 28, 1996 from Westinghouse Electric Corporation to Northrop Grumman Corporation
2.3	Letter Agreement dated February 29, 1996 from Westinghouse Electric Corporation to Northrop Grumman Corporation. (Schedules have been omitted pursuant to Rule 6.01(b)(2) of Regulation S-K. Such Schedules are listed and described in the Letter Agreement. Registrant hereby agrees to furnish to the Securities and Exchange Commission, upon its request, any or all such omitted Schedules.)
2.4	Second Amended and Restated Credit Agreement dated as of April 15, 1994, Amended and Restated as of March 1, 1996 among Northrop Grumman Corporation, Bank of America National Trust and Savings Association, as Documentation Agent, Chemical Securities, Inc., as Syndication Agent, The Chase Manhattan Bank (National Association), as Administrative Agent and the Banks Signatories thereto (the "Credit Agreement"). (Schedules and Exhibits have been omitted pursuant to Rule 6.01(b)(2) of Regulation S-K. Such Schedules and Exhibits are listed and described in the Credit Agreement. Registrant hereby agrees to furnish to the Securities and Exchange Commission, upon its request, any or all such omitted Schedules and Exhibits.)
23.1	Consent of Independent Accountants
99.1	Press release of Registrant dated March 1, 1996

ASSET PURCHASE AGREEMENT dated as of January 3, 1996,  
between WESTINGHOUSE ELECTRIC CORPORATION, a Pennsylvania  
Corporation ("Seller"), and Northrop Grumman Corporation, a  
Delaware corporation ("Purchaser").

Seller wishes to sell to Purchaser, and Purchaser wishes to purchase  
from Seller, substantially all the assets of Seller's Electronic Systems Group,  
excluding the security systems, wireless communications and airship businesses  
thereof and the business of Westinghouse Landmark GIS, Inc., (the "Division"),  
which Division includes certain assets owned by subsidiaries of Seller, upon the  
terms and subject to the conditions of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants herein  
contained, the parties agree as follows:

ARTICLE I

Purchase and Sale of Acquired Assets  
-----

SECTION 1.1. Purchase and Sale. Upon the terms and subject to the  
-----

conditions of this Agreement, at the Closing (as defined in Section 2.1) Seller  
agrees to sell, assign, transfer, convey and deliver to Purchaser all of  
Seller's right, title and interest in, to and under the Acquired Assets (as  
defined in Section 1.2(a)) and to cause any Subsidiary (as defined below) of  
Seller, other than any Sold Subsidiary (as defined in Section 1.2(a)(x)), having  
any right, title or interest in, to or under the Acquired

Assets or any obligations or liabilities included in the Assumed Liabilities (as defined in Section 1.3(a)) (each such Subsidiary other than a Sold Subsidiary, a "Selling Subsidiary") to sell, assign, transfer, convey and deliver to Purchaser all of such Selling Subsidiary's right, title and interest in, to and under the Acquired Assets, and Purchaser agrees to purchase, acquire and accept from Seller and each Selling Subsidiary (collectively, "Sellers") all such right, title and interest in, to and under the Acquired Assets. The term "Subsidiary" means a corporation more than 50% of the capital stock of which is owned directly or indirectly by Seller.

SECTION 1.2. Acquired Assets and Excluded Assets. (a) The term

-----  
"Acquired Assets" means all the business, properties, assets, goodwill and rights of Sellers of whatever kind and nature, real or personal, tangible or intangible, other than the Excluded Assets (as defined in Section 1.2(b)), owned by any of Sellers on the Closing Date (as defined in Section 2.1) and used or held for use primarily in the Division, including:

(i) all real property, leaseholds and other interests in real property of Sellers listed in Schedules 3.1(g)-1 and 3.1(g)-2, in each case together with Sellers' right, title and interest in all

buildings, improvements, fixtures and all other appurtenances thereto (the "Premises");

(ii) all raw materials, work-in-process, finished goods, supplies, parts and other inventories ("Inventory") of Sellers that on the Closing Date is located on the Premises and all other Inventory, including Inventory in transit, of Sellers on the Closing Date that is used or held for use primarily by or for the Division;

(iii) all machinery and equipment of Sellers that is used or held for use primarily by or for the Division;

(iv) all accounts receivable of Sellers on the Closing Date arising out of operations of the Division;

(v) subject to the license to be granted pursuant to Section 4.9(a), all domestic and foreign patents, patent applications, trademarks, trademark registrations, servicemarks, trade names, registered copyrights and licenses with respect to the foregoing ("Intellectual Property") owned by Sellers that relate primarily to the operations of the Division (excluding the names and marks "Westinghouse Electric Corporation", "Westinghouse" and "Circle W" (in logotype design or any other style or design), and any

name or mark derived from or including any of the foregoing);

(vi) subject to the license to be granted pursuant to Section 4.9(a), all trade secrets, inventions, know-how, formulae, processes, procedures, research records, records of inventions, test information, market surveys and marketing know-how and unregistered copyrights ("Technology") owned by Sellers that relate primarily to the operations of the Division;

(vii) all permits, licenses, franchises, approvals and authorizations by governmental or regulatory authorities or bodies ("Permits") owned by Sellers that relate primarily to the operations of the Division;

(viii) all contracts, leases, indentures, joint venture, environmental indemnity and other agreements, commitments and all other legally binding arrangements, whether oral or written, to which any of Sellers is a party or by which any of Sellers is bound, including any contracts, agreements, commitments and other legally binding arrangements relating to plans and arrangements referred to in Section 3.1(o) to the extent provided in Section 4.5 excluding such contracts, agreements, commitments and other legally binding arrangements relating to plans and arrangements



referred to in Section 3.1(o), ("Contracts") that are listed in Schedule 3.1(g)-1, 3.1(g)-2, 3.1(j) or 3.1(q) and all other Contracts that relate primarily to the Division and that are not required to be listed in such Schedules;

(ix) all bids, quotations and proposals for Contracts, whether oral or written, to which any of Sellers is a party or by which any of Sellers is bound that relate primarily to the Division;

(x) all capital stock, partnership interests and other equity interests owned by Sellers in any corporation, partnership, joint venture, trust or other business association ("Investments") listed in Schedule 3.1(k), including all capital stock owned by Sellers in the corporations listed in Schedule 3.1(r) under the caption "Sold Subsidiaries" (each, a "Sold Subsidiary"), and all other Investments relating primarily to the Division acquired by any of Sellers after the date of this Agreement;

(xi) all books of account, general, financial, accounting and personnel records, files, invoices, customers' and suppliers' lists and other data owned by Sellers on the Closing Date and used or held for use primarily by or for the Division, except to the extent

relating to the Excluded Assets or the Excluded Liabilities (as defined in Section 1.3(b));

(xii) all personal property of Sellers that is used or held for use primarily by or for the Division; and

(xiii) all rights, claims and causes of action to the extent relating to any of the Assumed Liabilities or the Acquired Assets, including, subject to Section 4.19, rights, claims and causes of action under insurance policies relating thereto, but excluding claims for refunds of Income Taxes as provided in Section 1.2(b).

The term "Acquired Assets" shall also include all equipment (including any equipment constituting a fixture) and personal property owned by any of Sellers on the Closing Date and used or held for use primarily in the portion of Sellers' Science and Technology Center which primarily provides research and development support to the business comprised of the Division and the performance of third party Contracts of the type listed in Schedule 3.1(j) pursuant to Section 3.1(j)(xiv) (such portion, the "Center"), and any such Contracts so listed or entered into in the ordinary course of business between the date of this Agreement and the Closing Date, and any Intellectual Property and

Technology relating primarily to the Division or the performance of such third party Contracts. For the avoidance of doubt, "Acquired Assets" shall include all assets set forth on the Closing Balance Sheet (as defined in Section 2.3(a)).

(b) The term "Excluded Assets" means:

(i) all cash on hand or in banks and all cash equivalents, except any cash or cash equivalents reflected on the Closing Statement (as defined in Section 2.3(a));

(ii) all rights of Sellers under this Agreement and the agreements, instruments and certificates delivered in connection with this Agreement;

(iii) all records prepared in connection with the sale of the Division, including bids received from third persons and analyses relating to the Division;

(iv) all rights, claims and causes of action relating to any of the Excluded Liabilities or the Excluded Assets, including rights, claims and causes of action under insurance policies relating thereto;

(v) all rights to claims, available to or being pursued by Sellers or any Sold Subsidiary, for refunds of or credits against Income Taxes (as defined in Section 4.14(g)(ii)) (including all refunds or credits

relating to any FSC for purposes of the Internal Revenue Code of 1986, as amended (the "Code"), investment tax credits, research credits and credits for prepayments of Income Taxes) attributable to the Division for taxable periods ending on or before the Closing Date and for the portion ending on the Closing Date of any taxable period that includes but does not end on the Closing Date (the "Pre-Closing Tax Periods") (determined as if such taxable period ended as of the close of business on the Closing Date); provided, however, that in the case of a taxable period that includes

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but does not end on the Closing Date, if a taxable loss exists for the portion of such period that is included in the Pre-Closing Tax Period, then the amount of such refund that constitutes an Excluded Asset shall not exceed the amount of Income Taxes (including estimated Income Taxes) actually paid by Seller, any of its affiliates or any other Person (as defined in Section 1.3(c)) prior to the Closing Date with respect to such taxable period; and provided, further, to the extent that any such

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refunds or credits of state Income Taxes relate to any "allowable cost" that is credited to the United States Government as a cost reduction by credit or actual refund, the amount

of such tax refunds or credits so credited or refunded, less any amount that was reserved for such taxes through the fee and rate reserve reflected on the Closing Balance Sheet, shall not constitute an Excluded Asset and shall be for the benefit of Purchaser, and Seller shall cause such amount to be promptly paid to Purchaser;

(vi) any consolidated, combined, unitary or separate company Tax Return (as defined in Section 4.14(g)(iii)) relating to Income Taxes that includes any of Sellers or any Sold Subsidiary, and records and work papers used in preparation thereof;

(vii) the names and marks "Westinghouse Electric Corporation", "Westinghouse" and "Circle W" (in logotype design or any other style or design), and any name or mark derived from or including any of the foregoing); and

(viii) all assets identified in Schedule 1.2(b).

SECTION 1.3. Assumption of Liabilities. (a) Upon the terms

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and subject to the conditions of this Agreement, Purchaser hereby assumes, effective as of the Closing, and agrees to pay, perform and discharge when due, and indemnify Seller, its affiliates (including the Selling Subsidiaries) and their respective officers, directors, employees,

stockholders, agents and representatives against and hold them harmless from and after the Closing from all obligations and liabilities of Sellers and the Sold Subsidiaries of any nature, whether known or unknown, absolute, accrued, contingent or otherwise and whether due or to become due, in the case of Sellers, arising out of, relating to or otherwise in respect of the Acquired Assets, the Division or the operations of the Division before, on or after the Closing Date (collectively, the "Assumed Liabilities"), excluding any Excluded Liabilities, but otherwise including:

(i) all obligations and liabilities of Sellers under Contracts that are to be acquired by Purchaser pursuant to the provisions of this Agreement;

(ii) all accounts payable owed by Sellers arising out of operations of the Division or otherwise in respect of the Division;

(iii) all obligations and liabilities in respect of any and all products sold by the Division at any time, including obligations and liabilities for refunds, adjustments, allowances, repairs, exchanges, returns and warranty, merchantability and other claims;

(iv) subject to the rights of Purchaser under Section 7.3, all obligations and liabilities arising as

a result of at any time being the owner or occupant of, or the operator of the activities conducted at, the Premises included in the Acquired Assets or any other real property owned or leased at any time by any of Sellers for use primarily in the Division or by any Sold Subsidiary, including all obligations and liabilities relating to personal injury, property damage, the environment and on-site or off-site waste disposal;

(v) other than the items included in Section 1.3(a)(vi), which are assumed only to the extent provided in Section 4.5, and subject to the rights of Purchaser under Section 7.4, all obligations and liabilities relating to the employment or termination of employment of (x) any employee of the Division and (y) any employee of the Center, at any time;

(vi) to the extent provided in Section 4.5, all obligations or liabilities arising under or in connection with any bonus, pension, profit sharing, deferred compensation, retirement, vacation, severance pay, disability benefits, death benefits, hospitalization, insurance or other similar plan or arrangement or understanding (whether or not legally

binding) providing benefits, including postretirement benefits, to Division or Center employees;

(vii) all obligations and liabilities for taxes (other than Income Taxes described in Section 1.3(b)(ii)) attributable to the Division (including the Sold Subsidiaries) for all taxable periods;

(viii) other than the items included in Section 1.3(a)(vi), which are assumed only to the extent provided in Section 4.5, and subject to the rights of Purchaser under Sections 7.3, 7.4 and 7.5, all obligations and liabilities in respect of lawsuits, actions and proceedings, pending or threatened, and claims, whether or not presently asserted, arising out of, relating to or otherwise in any way in respect of the Division or the operations of the Division at any time; and

(ix) subject to the rights of Purchaser under Sections 7.3, 7.4 and 7.5, all obligations and liabilities of Sellers and the Sold Subsidiaries as of the Closing Date of the type reflected on the Balance Sheet (as defined in Section 3.1(c)), including the notes thereto.

(b) The term "Excluded Liabilities" means:



(i) any obligation or liability of Sellers to the extent related to the Excluded Assets; and

(ii) any obligation or liability of Sellers or any Sold Subsidiary for Income Taxes attributable to the Division (including the Sold Subsidiaries) for Pre-Closing Tax Periods, including (A) Income Taxes of Seller's Federal Consolidated Income Tax group (and any other Income Tax group or predecessor Income Tax group which included a Sold Subsidiary) under any Treasury Regulation under Section 1502 of the Code or any comparable provisions of foreign, state or local law, (B) Income Taxes resulting from any transferee liability or successor liability of a Sold Subsidiary attributable to Pre-Closing Tax Periods and (C) Income Taxes resulting from the sale and transfer from Seller to Purchaser of the Acquired Assets (including Income Taxes resulting from the Section 338 Elections (as defined in Section 4.14(c)), and any state Income Taxes imposed by states which do not recognize an election comparable to the election under Section 338(h)(10) of the Code and for which a regular Section 338 election is made or deemed made), but excluding (X) any Transfer Taxes (as defined in Section 4.14(d)), (Y) any taxes resulting from actions taken by Purchaser or its

affiliates after the Closing and (Z) any state Income Taxes resulting from a regular Section 338 election with respect to a Sold Subsidiary created pursuant to Section 4.14(1).

(c) Notwithstanding anything to the contrary contained herein, but subject to the provisions of Section 4.4, this Agreement shall not operate to assign any Intellectual Property, Technology or Contract (including any Government Contract as defined in Section 4.4(a)) or any claim, right or benefit arising thereunder or resulting therefrom if an attempted assignment thereof, without the consent of any court, administrative agency or commission or other governmental authority or instrumentality, domestic or foreign (a "Governmental Entity"), or any individual, corporation, partnership, limited liability company, joint venture, trust, business association or other entity (a "Person", which term shall include a Governmental Entity), would constitute a breach, default or other contravention thereof or a violation of applicable law. Except as otherwise contemplated in Section 4.4(a), Seller and Purchaser shall each use all reasonable efforts to obtain the consent of such Persons for the assignment thereof to Purchaser prior to the Closing (it being understood that the failure to obtain such consents shall not relieve either

party from its obligation to consummate at the Closing the transactions contemplated by this Agreement) and shall otherwise comply with the provisions of Section 4.4.

(d) Notwithstanding anything to the contrary in any agreement or otherwise, any rights, express or implied, of any Sold Subsidiary to use any Intellectual Property or Technology owned by Sellers shall terminate at the Closing, except to the extent any such Intellectual Property or Technology is an Acquired Asset and except as otherwise contemplated by the license to be granted pursuant to Section 4.9(b).

SECTION 1.4. Purchase Price. The purchase price for the

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Acquired Assets shall be \$3,000,000,000 (the "Purchase Price"), payable as set forth in Section 2.2(b) and subject to adjustment as provided in Section 2.3, together with the assumption of the Assumed Liabilities as provided in Section 1.3.

## ARTICLE II

The Closing; Purchase Price Adjustment

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SECTION 2.1. Closing Date. The closing of the sale and transfer

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of the Acquired Assets and the assumption of the Assumed Liabilities (the "Closing") shall take place at the offices of Cravath, Swaine & Moore, 825 Eighth Avenue, New York, New York 10019, at 10:00 a.m. on March 1,

1996, or, if the conditions to the Closing set forth in Article V shall not have been satisfied by such date, as soon as practicable after such conditions shall have been satisfied. The date on which the Closing shall occur is herein referred to as the "Closing Date".

SECTION 2.2. Transactions To Be Effected at the Closing. At the  
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Closing:

(a) Seller shall deliver or cause to be delivered to Purchaser such appropriately executed deeds, bills of sale, assignments and other instruments of transfer providing for the sale, assignment, transfer, conveyance and delivery as contemplated by this Agreement of the Acquired Assets in form and substance reasonably satisfactory to Purchaser and its counsel (it being understood that any such deed, bill of sale, assignment or other instrument shall not provide for any representations or warranties or any obligations or liabilities that are not otherwise expressly provided for in this Agreement), together with resignations as director of each director of each Sold Subsidiary; and

(b) Purchaser shall deliver to Seller (or, at Seller's direction, one or more Selling Subsidiaries) (i) by wire transfer to an account designated in writing by Seller prior to the Closing of immediately

available funds in an amount equal to the Purchase Price plus or minus an estimate prepared by Seller and delivered to Purchaser at least two business days prior to the Closing Date of any adjustment to the Purchase Price under Section 2.3 (the Purchase Price plus or minus such estimate being herein referred to as the "Closing Date Amount") and (ii) such appropriately executed assumption agreements and other instruments of assumption providing for the assumption of, and indemnification against, the Assumed Liabilities as contemplated by this Agreement in form and substance reasonably satisfactory to Seller and its counsel (it being understood that any such deed, bill of sale, assignment or other instrument shall not provide for any representations or warranties or any obligations or liabilities that are not otherwise expressly provided for in this Agreement).

SECTION 2.3. Purchase Price Adjustment. (a) Within 60 days

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after the Closing Date, Seller shall prepare and deliver to Purchaser (i) an audited combined balance sheet of the Division as of the Closing Date (the "Closing Balance Sheet"), prepared from the books and records of Seller and its subsidiaries relating to the Division in accordance with generally accepted accounting principles

applied on a consistent basis with the Balance Sheet, together with a report thereon prepared and certified by Price Waterhouse, (ii) a statement (the "Closing Statement") setting forth Working Capital (as defined below) as of the close of business on the Closing Date ("Closing Working Capital"), together with a certificate of Price Waterhouse that the Closing Statement has been prepared in compliance with the requirements of this Section 2.3 , (iii) a statement setting forth the Restructuring Amount (as defined below) as of the close of business on the Closing Date and (iv) a statement setting forth the Norden Amount (as defined below) as of the close of business on the Closing Date.

Purchaser shall cause the employees of the Division to assist Seller in the preparation of the Closing Balance Sheet and the Closing Statement and shall provide Seller access at all reasonable times to the personnel, properties, books and records of the Division for such purpose. Seller's independent auditors may participate in the preparation of the Closing Statement and Purchaser's independent auditors may review the preparation of, and all working papers related to, the Closing Balance Sheet and the Closing Statement; provided, however, that Purchaser acknowledges that Seller shall have the

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primary

responsibility and authority for preparing the Closing Balance Sheet and the Closing Statement.

At Purchaser's option and expense, a physical of the inventory shall be conducted by Sellers consistent with past practice on or before the Closing Date for the purpose of preparing the Closing Balance Sheet, and each of Seller and Purchaser and their respective independent auditors shall have the right to observe the taking of such physical inventory. Any costs or expenses incurred by the Division in connection with such taking of such physical inventory shall be added back in determining Closing Working Capital.

During the 30-day period following Purchaser's receipt of the Closing Statement, subject to signing of customary releases, Purchaser and its independent auditors shall be permitted to review Seller's independent auditors' working papers relating to the Closing Balance Sheet and the Closing Statement. The Closing Statement shall become final and binding upon the parties on the thirtieth day following delivery thereof, unless Purchaser gives written notice of its disagreement with the Closing Statement ("Notice of Disagreement") to Seller prior to such date. Any Notice of Disagreement shall (A) specify in reasonable detail the nature of any disagreement so asserted, (B) only include

disagreements based on Closing Working Capital not being calculated in accordance with this Section 2.3 (which includes disagreements based on the Closing Balance Sheet and the Closing Statement not being in compliance with the requirements of this Section 2.3) and (C) be accompanied by a certificate of Purchaser that it has complied with the covenants set forth in Section 2.3(f). If a Notice of Disagreement is received by Seller in a timely manner, then the Closing Statement (as revised in accordance with clause (I) or (II) below) shall become final and binding upon Seller and Purchaser on the earlier of (I) the date Seller and Purchaser resolve in writing any differences they have with respect to the matters specified in the Notice of Disagreement or (II) the date any disputed matters are finally resolved in writing by the Accounting Firm (as defined below).

During the 30-day period following the delivery of a Notice of Disagreement, Seller and Purchaser shall seek in good faith to resolve in writing any differences which they may have with respect to the matters specified in the Notice of Disagreement. During such period Seller and its independent auditors shall have access to the working papers relating to the Notice of Disagreement. At the end of such 30-day period, Seller and Purchaser shall submit to an



independent accounting firm (the "Accounting Firm") for review and resolution any and all matters which remain in dispute and which were properly included in the Notice of Disagreement. The Accounting Firm shall be Ernst & Young or, if such firm is unable or unwilling to act, such other nationally recognized independent public accounting firm as shall be agreed upon by the parties hereto in writing. Seller and Purchaser shall jointly use all reasonable efforts to cause the Accounting Firm to render a decision resolving the matters submitted to the Accounting Firm within 30 days following submission. Seller and Purchaser agree that judgment may be entered upon the determination of the Accounting Firm in any court having jurisdiction over the party against which such determination is to be enforced. The cost of any arbitration (including the fees and expenses of the Accounting Firm and reasonable attorney fees and expenses of the parties) pursuant to this Section 2.3 shall be borne by Purchaser and Seller in inverse proportion as they may prevail on matters resolved by the Accounting Firm, which proportionate allocations shall also be determined by the Accounting Firm at the time the determination of the Accounting Firm is rendered on the merits of the matters submitted. The fees and disbursements of Seller's independent auditors incurred in connection with

their review of any Notice of Disagreement shall be borne by Seller, and the fees and disbursements of Purchaser's independent auditors incurred in connection with their review of the Closing Statement shall be borne by Purchaser.

(b) The Purchase Price shall be increased by the Restructuring Amount, by the Norden Amount and by the amount by which Closing Working Capital exceeds \$349,000,000 (the "WC Amount"), and the Purchase Price shall be decreased by the amount by which Closing Working Capital is less than the WC Amount (the Purchase Price as so increased or decreased is herein referred to as the "Adjusted Purchase Price"). If the Closing Date Amount is less than the Adjusted Purchase Price, Purchaser shall, and if the Closing Date Amount is more than the Adjusted Purchase Price, Seller shall, within 10 business days after the Closing Statement becomes final and binding on the parties, make payment by wire transfer in immediately available funds of the amount of such difference, together with interest thereon at the rate of 8.5% per annum, calculated on the basis of the actual number of days elapsed divided by 365, from the Closing Date to the date of actual payment, compounded annually.

(c) The term "Working Capital" shall mean Current Assets minus Current Liabilities (in each case as defined below). The WC Amount equals Working Capital as set forth

on the Statement of Working Capital as of September 30, 1995, attached as Schedule 2.3 (the "September 30 Statement") plus \$12,000,000, and shall not be subject to change regardless of whether the items included therein were in accordance with generally accepted accounting principles or for any other reason whatsoever. Subject to the adjustments described in Schedule 2.3(c), the terms "Current Assets" and "Current Liabilities" shall mean the current assets (other than any Excluded Assets) and current liabilities (other than any Excluded Liabilities), respectively, of the Division, determined in the same way, using the same methods, estimates, methodologies and judgments, as the line items comprising Working Capital on the September 30 Statement (but only to the extent doing so would be in accordance with generally accepted accounting principles consistently applied). The amounts used in preparing the Closing Statement for each category of Current Assets and Current Liabilities shall be the corresponding amount shown on the Closing Balance Sheet with the respective adjustments thereto described on Schedule 2.3(c). Without limiting the generality of the foregoing, Closing Working Capital and the amounts shown on the Closing Balance Sheet are to be determined in the same way, using the same methods, estimates, methodologies and judgments, employed in

determining the WC Amount, including using the same accounting methods, policies, practices, assumptions and procedures with consistent classifications, judgments and valuation and estimation methodologies, and using the same methodologies used by Seller in determining its estimates and judgments for evaluating the status of its Contracts (but only to the extent doing so would be in accordance with generally accepted accounting principles consistently applied). Purchaser acknowledges that it has had the opportunity to review Seller's contract estimates at completion. Purchaser agrees that, in calculating the Closing Working Capital, no changes will be made in the estimates at completion except to reflect events occurring between the date of this Agreement and the Closing Date and that any items relating to contract estimates at completion in any Notice of Disagreement will be limited to those proposed changes in contract estimates at completion which are based on such intervening events. The scope of the disputes to be resolved by the Accounting Firm is limited to whether the Closing Statement was prepared in compliance with the requirements of this Section 2.3, and the Accounting Firm is not to make any other determination (including as to whether the WC Amount is correct).

(d) The term "Restructuring Amount" shall mean the

amount by which the cash expenditures by Sellers and the Sold Subsidiaries during the period from October 1, 1995 to the Closing Date, in respect of the restructuring actions described in the second paragraph of note 16 to the Financial Statements (as defined in Section 3.1(c)) (other than the approximately \$35 million portion thereof in respect of pension curtailment), exceed the economic benefit realized by Sellers during such period as a result of such expenditures (it being agreed that such economic benefit shall consist of any increased operating margins realized by Sellers during such period as a result of the expense reductions associated with such restructuring actions and any cost recoveries of such expenditures realized by Sellers during such period as a result of increases in billing rates on government contracts).

(e) The term "Norden Amount" shall mean the amount by which the cash expenditures by Sellers and the Sold Subsidiaries during the period from October 1, 1995 to the Closing Date, in respect of the restructuring actions described in the third paragraph of note 16 to the Financial Statements, exceed the economic benefit realized by Sellers during such period as a result of such expenditures (it being agreed that such economic benefit shall consist of any increased operating margins realized during such period as a

result of the expense reductions associated with such restructuring actions and any cost recoveries of such expenditures realized during such period as a result of increases in billing rates on government contracts).

(f) During the period of time from and after the Closing Date through the resolution of any adjustment to the Purchase Price contemplated by this Section 2.3, Purchaser agrees that it shall maintain the accounting books and records of the Division on which the Closing Balance Sheet is to be based in a manner consistent with the Division's past practices. Without limiting the generality of the foregoing, during the period of time from and after the date of this Agreement through the resolution of any adjustment to the Purchase Price contemplated by this Section 2.3, Purchaser and Seller agree that no changes shall be made in any reserve or other account existing as of September 30, 1995, except as a result of specific events occurring after September 30, 1995, and, in such event, only in a manner consistent with generally accepted accounting principles and past practices. Purchaser shall cooperate in the preparation of the Closing Balance Sheet and the Closing Statement.

(g) During the period of time from and after the Closing Date through the resolution of any adjustment to the Purchase Price contemplated by this Section 2.3, Purchaser shall afford to Seller and any accountants, counsel or financial advisers retained by Seller in connection with any adjustment to the Purchase Price contemplated by this

Section 2.3 reasonable access during normal business hours to all the Division's properties, books, contracts, personnel and records relevant to the adjustment contemplated by this Section 2.3.

ARTICLE III

Representations and Warranties  
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SECTION 3.1. Representations and Warranties of Seller. Seller  
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hereby represents and warrants to Purchaser as follows:

(a) Organization, Standing and Power. Seller is a corporation duly  
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organized, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania and has the requisite power and authority to own the Acquired Assets owned by it and to carry on the business of the Division as now being conducted.

(b) Authority. Seller has the requisite corporate power and  
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authority to execute this Agreement. Sellers have the requisite corporate power and authority to execute the agreements to be entered into by them at the Closing pursuant hereto (the "Seller Ancillary Documents") and to consummate the transactions contemplated hereby and

thereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of Sellers, or, in the case of the Selling Subsidiaries and in the case of the Seller Ancillary Documents, will be authorized by all necessary corporate action on the part of Sellers prior to the Closing, and do not and will not require the approval of the stockholders of Seller. This Agreement has been duly executed and delivered by Seller and constitutes, and each Seller Ancillary Document to be entered into by any of Sellers will be duly executed and delivered at the Closing and when so executed and delivered will constitute, its legal, valid and binding obligation enforceable against it in accordance with its terms. The execution and delivery of this Agreement by Seller do not, and the consummation by Sellers of the transactions contemplated hereby and the compliance by Sellers with the terms hereof will not, conflict with, or result in any violation of or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any obligation (except any acceleration of vesting under the Westinghouse Savings Program) or to loss of a material benefit under, or result in the creation of any Lien (as



defined in Section 3.1(f)) upon any of the Acquired Assets under, any provision of (i) the Business Corporation Law of the Commonwealth of Pennsylvania, (ii) the certificate of incorporation or by-laws (or comparable organizational documents) of any of Sellers, (iii) except as disclosed on Schedule 3.1(b), any Intellectual Property, Technology or Contract which is not subject to Section 4.4 or (iv) subject to the filings and other matters referred to in the following sentence, any law, judgment, order, decree, statute, ordinance, rule or regulation applicable to Sellers or the Acquired Assets, other than, in the case of clauses (iii) and (iv) above, any such conflicts, violations, defaults, rights or Liens that, individually or in the aggregate, would not (A) have a material adverse effect on the business or financial condition of the Division or (B) materially impair the ability of Seller to perform its obligations under this Agreement. No consent, approval, license, permit, order or authorization of, or registration, declaration or filing with, any Governmental Entity is required to be obtained or made by or with respect to Sellers or the Acquired Assets in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby, except for (i) compliance with and filings under the Hart-Scott-Rodino

Antitrust Improvements Act of 1976, as amended (the "HSR Act"), (ii) compliance with and filings under Section 13(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), (iii) compliance with the facilities clearance requirements of the Defense Investigative Service of the United States Department of Defense ("DIS"), as set forth in the DIS Industrial Security Regulation and the DIS Industrial Security Manual, as amended from time to time, (iv) consents or novations which may be required for the assignment of any Intellectual Property, Technology or Contract as contemplated in Section 4.4, (v) compliance with, and notices and filings under, environmental permits, statutes and regulations, including the Connecticut Transfer Act, Conn. Gen. Stat. (S) 22a-134 et seq. (1993), and the California Health and Safety Code (S)

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25359.7 (1992), (vi) those that may be required solely by reason of Purchaser's (as opposed to any other Person's) participation in the transactions contemplated hereby and (vii) those the failure of which to obtain or make, individually or in the aggregate, would not (A) have a material adverse effect on the business or financial condition of the Division or (B) materially impair the ability of Seller to perform its obligations under this Agreement.

(c) Financial Statements. Schedule 3.1(c) sets forth the unaudited

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combined balance sheet of the Division as of September 30, 1995 (the "Balance Sheet"), and the unaudited combined statement of income of the Division for the nine months ended September 30, 1995, together with the notes to such financial statements (the "Financial Statements"). The Financial Statements have been prepared from the books and records of Seller and its subsidiaries relating to the Division and, except as described in the notes thereto, have been prepared in accordance with generally accepted accounting principles and fairly present, in all material respects, the financial condition and the results of operations of the Division as at the date and for the period indicated. The estimated allocation of assets of the Westinghouse Pension Plan between Seller's Electronic Systems Group active employees and other employees as reflected in Note 13 of the Financial Statements is based on application of the Pension Benefit Guaranty Corporation ("PBGC") safe harbor assumptions set forth in Treas. Reg. (S)1.414(l)-(b)(5)(ii) (the projected benefit obligation in Note 13 having been calculated using other assumptions, as set forth therein).

(d) Compliance with Applicable Laws. Subject to Section 4.4, Sellers

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have complied with all laws,

regulations, rules and orders of all Governmental Entities applicable to them which relate to the Acquired Assets (including the Truth-In-Negotiations-Act, the Procurement Integrity Act, the Foreign Corrupt Practices Act, the Cost Accounting Standards, the regulations and rules of applicable Governmental Entities governing foreign military sales, the regulations and rules of applicable Governmental Entities governing the submission of progress payment requests on Government Contracts, the regulations and rules of applicable Governmental Entities governing cost accounting and procurement systems with respect to Government Contracts, and any laws, regulations, rules and orders incorporated expressly, by reference or by operation of law into any Government Contract), except where the failure to so comply would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on the business or financial condition of the Division. Except as set forth in Schedule 3.1(d), since January 1, 1995, Sellers have not received any written notice alleging any non-compliance in a material respect with any such laws, regulations, rules or orders. Except as set forth in Schedule 3.1(d), since January 1, 1995, Sellers have not received any written notice of any administrative, civil or criminal investigation or audit by any Governmental

Entity (including any qui tam action brought under the Civil False Claims Act  
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alleging any irregularity, misstatement or omission arising under or relating to any Contract) relating to the Division which is reasonably likely to be adversely determined and which if adversely determined would have a material adverse effect on the business or financial condition of the Division. This Section 3.1(d) does not relate to labor and employment matters for which Section 3.1(e) is applicable, employee benefits matters for which Section 3.1(o) is applicable, Environmental Laws (as defined in Section 3.1(p)) for which Section 3.1(p) is applicable or to tax matters for which Section 3.1(q) is applicable.

(e) Litigation; Decrees. Schedule 3.1(e) sets forth a list as of  
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the date of this Agreement of certain lawsuits, actions and proceedings. Except as set forth in Schedule 3.1(e) and except for any lawsuit, action or proceeding brought after the date of this Agreement by any Person seeking to delay or prevent, or otherwise challenging, the transactions contemplated hereby, there is no lawsuit, action or proceeding pending, or, to Seller's knowledge, threatened, against any of Sellers relating to the Division (including any relating to the suspension, debarment or similar preclusion of Seller from doing business with a Governmental Entity) which is reasonably

likely to be adversely determined and which if adversely determined would have a material adverse effect on the business or financial condition of the Division. Sellers are not in default under any material judgment, order, injunction or decree of any Governmental Entity or arbitrator entered against any of Sellers and relating to the Division.

(f) Title to Acquired Assets. Sellers have good and valid title to

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all the Acquired Assets free and clear of all mortgages, liens, security interests, easements, rights of way, pledges, restrictions or encumbrances of any nature whatsoever (collectively, "Liens"), except for (i) Liens disclosed in Schedule 3.1(f) or in the Financial Statements or securing debt reflected as a liability on the Balance Sheet, (ii) any progress payment liens arising in the ordinary course of business from progress payments made by the United States Government or any agency thereof or any other Governmental Entity on Government Contracts and (iii) (A) mechanics', carriers', workmen's, repairmen's and other like Liens arising or incurred in the ordinary course of business, (B) Liens for taxes, assessments and other governmental charges that are not yet due and payable or that may thereafter be paid without penalty or that are being contested in good faith by appropriate proceedings and

(C) imperfections of title and other Liens that, individually or in the aggregate, do not materially impair the continued operation of the business of the Division as presently conducted (the Liens described in clauses (i), (ii) and (iii) being herein referred to as "Permitted Liens"). This Section 3.1(f) does not relate to Intellectual Property, Technology, real property, interests in real property or leasehold interests (except that the defined term "Permitted Liens" shall be applicable to Section 3.1(g) to the extent used therein).

(g) Real Property. Schedule 3.1(g)-1 sets forth a list of all

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material real property and interests in real property owned in fee by Sellers and used by Sellers primarily with respect to the operations of the Division, other than any Excluded Assets (individually, an "Owned Property"). There is no real property or interest in real property owned in fee by Sellers (other than any Excluded Assets) which is material to the operations of the Division as presently conducted which is not listed on Schedule 3.1(g)-1. Schedule 3.1(g)-2 sets forth a list of all material real property and interests in real property leased by Sellers and used by Sellers primarily with respect to the operations of the Division (other than any Excluded Assets) (individually, a "Leased Property"). Sellers have good and

insurable fee title to all Owned Property free and clear of all Liens other than (i) Permitted Liens, (ii) easements, covenants, rights-of-way and other encumbrances or restrictions of record, (iii) any conditions that a current, accurate survey or physical inspection of any Owned Property may show, (iv) zoning, building and other similar restrictions, (v) unrecorded easements, covenants, rights- of-way or other restrictions, (vi) Liens that have been placed by any developer, landlord or other Person (other than Sellers) on property over which any of Sellers has easement rights, none of which items set forth in clauses (iii), (iv), (v) or (vi) above, individually or in the aggregate, materially impair the continued operation of the business of the Division as presently conducted. Except as set forth on Schedule 3.1(g)-2, one of Sellers is the lessee of all the Leased Property and is in possession of the premises purported to be leased thereunder, and each such lease is a valid obligation of one of Sellers without any material default thereunder by Sellers, or, to Seller's knowledge, by the applicable lessor.

(h) Intellectual Property and Technology. Schedule 3.1(h) sets forth  
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a list, as of the date of this Agreement, of all material Intellectual Property (other than licenses) included in the Acquired Assets and, to the extent



indicated on such Schedule, such Intellectual Property has been duly registered in, filed in or issued by the United States Copyright Office or the United States Patent and Trademark Office, the appropriate offices in the various states of the United States and the appropriate offices of other jurisdictions. Except as set forth on Schedule 3.1(h), Sellers are the sole and exclusive owner of all material Intellectual Property (other than licenses) and material Technology included in the Acquired Assets. Except as set forth on Schedule 3.1(h), Sellers have not received any written notice from any other Person challenging in any material respect the right of Sellers to use any of the material Intellectual Property or material Technology included in the Acquired Assets or any rights thereunder. Sellers have taken measures, consistent with Seller's corporate practice, to protect the secrecy, confidentiality and value of the material Technology included in the Acquired Assets. Except as set forth in Schedule 3.1(h), to Seller's knowledge, no material Technology (other than unregistered copyrights) included in the Acquired Assets has been used, divulged or appropriated for the benefit of any Person other than Sellers, except where such use, divulgence or appropriation would not, individually or in the aggregate, reasonably be expected to have a material adverse

effect on the business or financial condition of the Division. Sellers have not made any claim in writing of a violation, infringement, misuse or misappropriation by others of their rights to or in connection with any material Intellectual Property or material Technology included in the Acquired Assets. Except as set forth on Schedule 3.1(h), to Seller's knowledge, as of the date of this Agreement, there is no pending or threatened claim by any third Person of a violation, infringement, misuse or misappropriation by any of Sellers of any Intellectual Property or Technology owned by any third Person, or of the invalidity of any patent included in the Acquired Assets, which is reasonably likely to be adversely determined and which if adversely determined would have a material adverse effect on the business or financial condition of the Division. There are no interferences or other contested inter partes proceedings, either pending or, to the knowledge of Seller, threatened, in the United States Copyright Office, the United States Patent and Trademark Office or any Federal, state or local court or before any other Governmental Entity relating to any pending application with respect to any material Intellectual Property included in the Acquired Assets.

(i) Insurance. All the material properties and businesses

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constituting any part of the Acquired Assets are

insured for Sellers' benefit, and will be so insured through the Closing, in amounts and against risks consistent with Seller's corporate practice. Except as set forth on Schedule 3.1(i), Seller does not self-insure any material risks with respect to the Division other than employee benefit plans.

(j) Contracts. Except for Contracts listed on Schedule 3.1(g)-1, -----  
3.1(g)-2, 3.1(j) or 3.1(q), none of Sellers is a party to or bound by any Contract relating primarily to the Division that is:

(i) a Contract for the employment of any Person with an annual base salary in excess of \$150,000 or any consulting agreement with any Person involving payments by Sellers in excess of \$200,000;

(ii) a Contract with any labor union;

(iii) other than Contracts in the ordinary course of business for the purchase or sale of products or services from or to the Division and other than arrangements between the Division and the Center, a Contract with any director, officer, subsidiary or affiliate of Seller that will not be terminated at or prior to the Closing;

(iv) other than any of the following entered into in the ordinary course of business between the date of

this Agreement and the Closing Date and other than letters of credit obtained in the ordinary course of business, an indenture, note, loan or credit agreement or other Contract relating to the borrowing of money in an amount in excess of \$1,000,000 by any of Sellers or to the direct or indirect guarantee or assumption by any of Sellers of the obligations of any other Person (other than one of Sellers) for borrowed money in an amount in excess of \$1,000,000, including any arrangement which has the economic effect although not the legal form of such a guarantee;

(v) a power of attorney (other than powers of attorney given in the ordinary course of the Division's business with respect to routine tax and securities matters or with respect to the entering into or administration of Contracts or joint ventures);

(vi) a covenant not to compete (other than those contained in teaming agreements and those of which the Division is the beneficiary of the covenant in employee-related agreements);

(vii) a lease or similar agreement under which (A) any of Sellers is a lessee of, or holds or operates, any real property owned by any third Person for an annual rent in excess of \$150,000 or (B) any of Sellers

is a lessor of, or makes available for use by any third Person, any real property owned or held as lessee by Sellers for an annual rent in excess of \$250,000;

(viii) a lease or similar agreement under which (A) any of Sellers is lessee of, or holds or uses, any machinery, equipment, vehicle or other tangible personal property owned by any third Person for an annual rent in excess of \$50,000 or (B) any of Sellers is a lessor of, or makes available for use by any third Person, any tangible personal property owned (including ownership for tax purposes) by Sellers having a fair market value in excess of \$50,000;

(ix) other than any of the following entered into in the ordinary course of business between the date of this Agreement and the Closing Date, a Contract (including purchase orders), involving the obligation of Sellers to purchase products or services for payment by Sellers of more than \$2,000,000 (unless terminable by one of Sellers without payment or penalty of not more than \$250,000 upon no more than 60 days' notice);

(x) other than any of the following entered into in the ordinary course of business between the date of this Agreement and the Closing Date, a Contract (including sales orders) involving the obligation of

Sellers to deliver products or services with an unfilled order balance of more than \$5,000,000, (unless terminable by one of Sellers without payment or penalty of not more than \$250,000 upon no more than 60 days' notice) (the Contracts set forth on Schedule 3.1(j) pursuant to this clause (x) representing approximately 70% of the backlog of the Division as reflected in the records of the Division as of November 30, 1995);

(xi) other than any progress payment liens arising from progress payments made by the United States Government or any agency thereof or any other Governmental Entity on Government Contracts, a mortgage, pledge, security agreement, deed of trust or other document granting a material Lien (including Liens upon properties acquired under conditional sales, capital lease or other title retention or security devices);

(xii) other than any of the following entered into in the ordinary course of business between the date of this Agreement and the Closing Date, a Contract providing for the formation of a joint venture, teaming agreement or partnership;

(xiii) other than any of the following entered into in the ordinary course of business between the date of this Agreement and the Closing Date, any

financing arrangement with any third Person with respect to the performance of any Government Contract; or

(xiv) other than any of the following entered into in the ordinary course of business between the date of this Agreement and the Closing Date, a third party Contract that relates primarily to the Center.

Subject to Section 4.4 and except as disclosed in Schedule 3.1(g)-1, 3.1(g)-2 or 3.1(j), Sellers are not (with or without the lapse of time or the giving of notice, or both) in breach or default in any material respect under any Contract listed in Schedule 3.1(g)-1, 3.1(g)-2 or 3.1(j). To Seller's knowledge, except as disclosed in Schedule 3.1(g)-1, 3.1(g)-2 or 3.1(j), as of the date of this Agreement, none of the other parties to any such Contract is (with or without the lapse of time or the giving of notice, or both) in breach or default in any material respect thereunder. As of the date of this Agreement, Sellers have not, except as disclosed in Schedule 3.1(g)-1, 3.1(g)-2 or 3.1(j), (i) received any written notice of the intention of any party to terminate any Contract listed in Schedule 3.1(g)-1, 3.1(g)-2 or 3.1(j), whether as a termination for convenience or for default of any of Sellers thereunder, or (ii) since January 1, 1995, received any written cure notice

or show cause notice (as defined in the Federal Acquisition Regulations Part 49, (P) 49.607(a) and (b), respectively) in respect of any such Contract which is a Government Contract. To Seller's knowledge, except as disclosed in Schedule 3.1(g)-1, 3.1(g)-2 or 3.1(j), as of the date of this Agreement, there is no pending claim or request for equitable adjustment under any Government Contract by any Governmental Entity which is reasonably likely to be adversely determined and which if adversely determined would have a material adverse effect on the business or financial condition of the Division. To Seller's knowledge, Sellers have complied in all material respects with all of their obligations relating to any equipment or fixtures owned by any Governmental Entity and loaned, bailed or otherwise furnished to or held by any of Sellers, except where the failure to so comply would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on the business or financial condition of the Division. Complete and correct copies of all Contracts referred to in Schedule 3.1(g)-1, 3.1(g)-2 and 3.1(j), together with all amendments thereto (other than any amendments thereto entered into after the date of this Agreement in the ordinary course of business), have been delivered or made available to Purchaser.



(k) Investments. Schedule 3.1(k) is a list of all Investments (other

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than Investments that are Excluded Assets) owned by Sellers on the date of this Agreement relating primarily to the Division.

(l) Suppliers. Schedule 3.1(l) contains a list of the names and

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addresses of the ten largest suppliers (indicating dollar volume of product purchases for each) of products and services to the Division for the twelve months ended December 31, 1995.

(m) Sufficiency of Acquired Assets. The Acquired Assets (including

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all contract and other rights included therein) comprise all the assets owned by Sellers that (taking into account the assets of the Sold Subsidiaries and the license to be granted pursuant to Section 4.9(b)) are necessary for the conduct of the Division's business in all material respects as presently conducted, except for the Excluded Assets.

(n) Absence of Certain Changes or Events. Except as set forth in the

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Schedules hereto or as contemplated by this Agreement, since the date of the Financial Statements Sellers have conducted the business of the Division in all material respects only in the ordinary course consistent with past practice. Except as set forth in the Schedules hereto or as contemplated by this Agreement, since the date of the Financial Statements there

has not been any material adverse change in the business or financial condition of the Division, other than seasonal changes, changes relating to the economy in general or changes relating to the Division's industry in general. Purchaser acknowledges that there may be disruptions to the Division's business as a result of Purchaser's identity as the proposed acquiror of the Division, and Purchaser agrees that such disruptions and any changes attributable thereto shall not constitute a breach of this Section 3.1(n).

(o) Employee Benefits. (i) Schedule 3.1(o)(i) contains a list of  
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each "employee pension benefit plan" (as defined in Section 3(2) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) (hereinafter a "Pension Plan"), "employee welfare benefit plan" (as defined in Section 3(1) of ERISA) (hereinafter a "Welfare Plan") and each other material plan, arrangement or policy relating to stock options, stock purchases, compensation, deferred compensation, severance, fringe benefits or other employee benefits, in each case currently maintained or contributed to by Sellers or their affiliates on behalf of active employees of the Division or the Center who are employed in the United States (all the foregoing being herein called "Benefit Plans") and, to the knowledge of Seller, each employee benefit plan maintained or contributed to by

Sellers or their affiliates outside the United States on behalf of active foreign employees of the Division who are employed outside the United States ("Foreign Plans"). Seller has made available (or, in the case of item (4) of this sentence, shall make available as soon as practicable after the date of this Agreement) to Purchaser copies of (1) each Benefit Plan, (2) the most recent annual report on Form 5500 filed with the Internal Revenue Service with respect to each Benefit Plan, (3) the most recent summary plan description (or similar document) for each Benefit Plan and (4) all insurance policies and material service agreements relating to the Benefit Plans. Each Benefit Plan and each Foreign Plan which is currently maintained or contributed to by Sellers or their affiliates solely on behalf of the Division (each, a "Free-Standing Plan") is so indicated on Schedule 3.1(o)(i).

(ii) To the knowledge of Seller, except as disclosed in Schedule 3.1(o)(ii), there are no investigations by any governmental agency, termination proceedings or other claims (except claims for benefits payable in the normal operation of the Benefit Plans), suits or proceedings against or involving any Benefit Plan or asserting any rights or claims to benefits under any Benefit Plan that could give rise to any material liability to Purchaser.

(iii) Except as disclosed in Schedule 3.1(o)(iii), (x) all contributions to Benefit Plans that are Pension Plans (hereinafter "Business Pension Plans") that were required to be made in accordance with Section 302 of ERISA or Section 412 of the Code, have been timely made, (y) no Business Pension Plan has applied for or received a waiver of the minimum funding standards imposed by Section 412 of the Code and (z) no Business Pension Plan has an "accumulated funding deficiency" within the meaning of Section 412(a) of the Code as of its most recent plan year.

(iv) Except as disclosed in Schedule 3.1(o)(iv), all the Benefit Plans, as adopted or as they may have been amended, to the knowledge of Seller, comply in all material respects with currently applicable provisions of the Code and ERISA and other applicable laws. Seller has made available to Purchaser a copy of the most recent determination letter received with respect to each Business Pension Plan for which such a letter has been issued.

(v) Except as disclosed in Schedule 3.1(o)(v), with respect to any Business Pension Plan subject to Title IV of ERISA, to the knowledge of Seller, no event has occurred, or is reasonably expected to occur as a result of the transactions contemplated by this Agreement, which will result in any material liability to any such plan or to the

PBGC, other than for the payment of contributions or premiums, all of which have been paid when due. Seller has made available to Purchaser the most recent actuarial report or valuation with respect to each Business Pension Plan that is a "defined benefit plan" (as defined in Section 3(35) of ERISA).

(vi) Except as disclosed in Schedule 3.1(o)(vi), to the knowledge of Seller, Sellers comply in all material respects with the applicable requirements of Section 4980B(f) of the Code with respect to each Benefit Plan that is a "group health plan" (as such term is defined in Section 5000(b)(1) of the Code).

(vii) Except as disclosed in Schedule 3.1(o)(vii), neither the Westinghouse Pension Plan nor any Benefit Plan disclosed in Schedule 3.1(o)(i) which is a Welfare Plan that provides for post-retirement medical or dental benefits has been amended in any material respect since September 30, 1995, that has increased the benefits provided to individual participants or beneficiaries thereunder.

(p) Environmental Matters. Except as disclosed to Purchaser prior to -----  
the execution of this Agreement or as disclosed on Schedule 3.1(p):

(i) Sellers are in compliance with all Environmental Laws (as defined below), except for violations of Environmental Laws that would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on the business or financial condition of the Division;

(ii) Sellers hold, and are in compliance with, all Permits required under Environmental Laws for Sellers to conduct the business of the Division conducted by them, except for the absence of, or noncompliance with, such Permits that would not, in all such cases taken individually or in the aggregate, reasonably be expected to have a material adverse effect on the business or financial condition of the Division; and

(iii) prior to the date of this Agreement, (A) to Seller's knowledge, there are no events, conditions, actions, or omissions relating to the conduct of the business of the Division that have given or will give rise to any Environmental Liability (as defined below) based on or related to the use, processing, generation, treatment, storage, disposal, transport, emission, discharge, release or threatened release of any Hazardous Substance (as defined below), and (B) Seller

has not received any written notice of the institution or pendency of any lawsuit, action, proceeding, investigation or claim by any Person alleging any Environmental Liability arising from or relating to the conduct of the business of the Division, except for all such cases under (A) and (B) that would not, taken individually or in the aggregate, reasonably be expected to have a material adverse effect on the business or financial condition of the Division.

(iv) As used herein:

"Environmental Laws" means any domestic or foreign, Federal, state, interstate or local statute, law or regulation having the force of law and in effect and promulgated as such as of the Closing Date (collectively "Pre-Closing Environmental Laws and Regulations") or any order, injunction, judgment, decree, common law or other enforceable requirement of any Governmental Entity, except to the extent that it sets forth more stringent or additional requirements than those authorized by Pre-Closing Environmental Laws and Regulations, and relating to the protection of human health, safety or the environment, including any of the foregoing related to: (i) Remedial Actions; (ii) the reporting, licensing, permitting, or investigating of the emission, discharge, release or

threatened release of Hazardous Substances into the air, surface water, groundwater or land; (iii) the manufacture, release, distribution, use, generation, treatment, storage, disposal, transport or handling of Hazardous Substances; or (iv) the protection of the health and safety of employees or the public.

"Environmental Liability" means any liability or obligation arising under Environmental Laws in connection with the Acquired Assets or the business or operation of the Division to the extent arising from any condition existing or any act or omission of Seller at or prior to the Closing Date, including claims, demands, assessments, judgments, orders, causes of action (including toxic tort suits), notices of actual or alleged violations or liability (including such notices regarding the disposal or release of Hazardous Substances on the Premises or elsewhere), proceedings and any associated costs, assessments, losses, damages (except consequential damages), obligations, liabilities, awards, fines, sanctions, penalties, or amounts paid in settlement (including reasonable costs, fees and expenses of attorneys, accountants, consultants and other agents of such Person).

"Hazardous Substance" means any substance or material: (i) that is defined as a "hazardous waste" or



"hazardous substance" under any Environmental Law; (ii) that is considered toxic, explosive, corrosive, flammable, infectious, radioactive, carcinogenic or mutagenic or otherwise regulated under any Environmental Law; or (iii) that contains gasoline, diesel fuel or other petroleum hydrocarbons, polychlorinated biphenyls or asbestos.

"Remedial Action" means any response action, removal action, remedial action, corrective action, monitoring program, sampling program, investigation or other cleanup activity required by any Environmental Law to clean up, remove, remediate, treat or abate any Hazardous Substance in the environment.

(q) Taxes. Except as set forth on Schedule 3.1(q):

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(i) Seller and the Sold Subsidiaries have timely filed, after giving effect to any applicable extensions, all material Tax Returns required to be filed with respect to the Acquired Assets and the income or operations of the Division, and all such Tax Returns were complete and correct at the time of filing. Each of Seller and the Sold Subsidiaries has timely paid, after giving effect to any applicable extensions, all material taxes required to be paid by it with respect to the Acquired Assets and the income

or operations of the Division, or such taxes have been paid on its behalf.

(ii) No taxing authority is asserting in writing any material tax deficiency that has not been adequately reserved for, and no liens for material taxes exist (other than liens for taxes not yet due or for taxes being contested in good faith), with respect to the Acquired Assets or the income or operations of the Division.

(iii) All material amounts that are required to be collected or withheld by Seller or the Sold Subsidiaries with respect to the Division have been duly collected and withheld, and any such amounts that are required to have been remitted to any taxing authority have been duly remitted.

(iv) (A) No Acquired Asset or asset of any Sold Subsidiary is property that is required to be treated as owned by any other person pursuant to the "safe harbor lease" provisions of former Section 168(f)(8) of the Internal Revenue Code of 1954, as amended and (B) to the knowledge of Seller, no material Acquired Asset or material asset of any Sold Subsidiary constitutes "tax exempt use property" within the meaning of Section

168(h) of the Code. The applicable safe harbor leases are set forth on Schedule 3.1(q).

(v) To the knowledge of Seller, no material Acquired Asset or material asset of any Sold Subsidiary secures any debt the interest on which is tax exempt under Section 103 of the Code.

(vi) The statute of limitations (A) in respect of the Division's Federal Income Taxes has closed for all taxable periods up to and including the taxable year ended December 31, 1989 and (B) in respect of Seller's, Xetron Corporation's and Perceptics Corporation's sales and use taxes relating to the Division has not been extended.

(vii) No Sold Subsidiary is a party to any agreement providing for the sharing of taxes among members of a group filing consolidated, combined or unitary Tax Returns (or comparable Tax Returns for foreign purposes).

(viii) No material contract of the Division that is a long-term contract (for purposes of Section 460 of the Code) and that was entered into after June 20, 1988 has been reported on a method of tax accounting other than the 100 percent percentage of completion method for Income Tax purposes.

(r) Sold Subsidiaries. Each Sold Subsidiary is a corporation duly

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organized, validly existing and in good standing under the laws of its jurisdiction of organization and has the requisite power and authority to own its assets and to carry on its business as now being conducted. Except as disclosed to Purchaser prior to the execution of this Agreement, Seller has heretofore delivered to Purchaser true and complete copies of the certificate of incorporation and by-laws of each Sold Subsidiary, as amended through the date of this Agreement. The authorized and outstanding capital stock of each Sold Subsidiary is as set forth on Schedule 3.1(r), and, except as set forth on such Schedule (and except for directors' qualifying shares), one of Sellers is the record and beneficial owner of all such outstanding capital stock.

(s) Clearances. Except to the extent prohibited by the National

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Industrial Security Program Operating Manual (NISPOM), Schedule 3.1(s) sets forth, as of the date set forth therein, all facility security clearances held by Sellers to the extent relating to the Acquired Assets and the number of personnel holding security clearances at each such facility.

(t) Sales Representatives. To the knowledge of Seller, Schedule

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3.1(t) sets forth, as of the date set forth

therein, the names of all sales representatives providing sales representation services to the Division to the extent relating to the Acquired Assets.

SECTION 3.2. Representations and Warranties of Purchaser. Purchaser  
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hereby represents and warrants to Seller as follows:

(a) Organization, Standing and Power. Purchaser is a corporation  
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duly organized, validly existing and in good standing under the laws of the jurisdiction in which it is incorporated and has the requisite corporate power and authority to carry on its business as now being conducted.

(b) Authority. Purchaser has the requisite corporate power and  
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authority to execute this Agreement and the agreements to be entered into by it at the Closing pursuant hereto (the "Purchaser Ancillary Documents") and to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of Purchaser, or, in the case of Purchaser Ancillary Documents, will be duly authorized by all necessary corporate action on the part of Purchaser prior to the Closing, and do not and will not require the approval of

the stockholders of Purchaser. This Agreement has been duly executed and delivered by Purchaser and constitutes, and each Purchaser Ancillary Document will be duly executed and delivered by Purchaser at or prior to the Closing and when so executed and delivered will constitute, a legal, valid and binding obligation of Purchaser enforceable in accordance with its terms. The execution and delivery of this Agreement by Purchaser do not, and the consummation by Purchaser of the transactions contemplated hereby and the compliance by Purchaser with the terms hereof will not, conflict with, or result in any violation of or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any obligation or to loss of a material benefit under, or result in the creation of any Lien upon any of Purchaser's assets under, any provision of (i) the General Corporation Law of the State of Delaware, (ii) the certificate of incorporation or by-laws (or comparable organizational documents) of Purchaser or (iii) subject to the filings and other matters referred to in the following sentence, any law, judgment, order, decree, statute, ordinance, rule or regulation applicable to Purchaser, other than, in the case of clause (iii) above, any such conflicts, violations, defaults, rights or Liens that, individually or

in the aggregate, would not materially impair the ability of Purchaser to perform its obligations under this Agreement. No consent, approval, license, permit, order or authorization of, or registration, declaration or filing with, any Governmental Entity is required to be obtained or made by or with respect to Purchaser in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby, except for (i) compliance with and filings under the HSR Act, (ii) compliance with and filings under Section 13(a) of the Exchange Act, (iii) compliance with the facilities clearance requirements of the DIS, as set forth in the DIS Industrial Security Regulation and the DIS Industrial Security Manual, as amended from time to time, (iv) consents or novations which may be required for the assignment of any Intellectual Property, Technology or Contract as contemplated in Section 4.4, (v) compliance with, and notices and filings under, environmental permits, statutes and regulations, including the Connecticut Transfer Act, Conn. Gen. Stat. (S) 22a-134 et seq. (1993), and the California Health and Safety Code (S) 25359.7 (1992), and (vi) those the failure of which to obtain or make, individually or in the aggregate, would not materially impair the ability of Purchaser to perform its obligations under this Agreement.

(c) Security Clearance. Purchaser controls facilities classified for

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United States government security purposes as high as the level of "Top Secret", and employs individuals holding United States government security clearances as high as the level of "Top Secret".

(d) Financing. Purchaser has obtained from certain financial

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institutions (the "Banks") firm commitments pursuant to a commitment letter dated January 2, 1996, (as in effect on the date of this Agreement, the "Commitments") to provide financing sufficient to enable it to consummate the transactions contemplated hereby. A true and complete copy of such commitment letter has been provided to Seller.

#### ARTICLE IV

##### Covenants

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##### SECTION 4.1. Covenants of Seller Relating to Conduct of Business.

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During the period from the date of this Agreement and continuing until the Closing, Seller agrees (except as expressly provided in this Agreement or the Schedules or to the extent that Purchaser shall otherwise consent in writing) that:

(a) Ordinary Course. Sellers shall carry on the business of the

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Division in the ordinary course in substantially the same manner as presently conducted and use



all reasonable efforts consistent with past practices (including as to levels of capital expenditures) to preserve intact the Division's present business organization, keep available the services of the Division's present officers and employees and preserve the Division's relationships with customers, suppliers and others having business dealings with the Division. Seller shall not sell, assign or convey any material long term asset (other than as requested by Purchaser pursuant to Section 4.14(1) or among any of Sellers or any Sold Subsidiary) constituting an Acquired Asset. Seller shall not incur any long term indebtedness for borrowed money (including purchase money financing) which would constitute an Assumed Liability.

(b) No Other Bids. Seller shall not, nor shall it authorize or

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permit any officer, director or employee of, or any investment banker, attorney, accountant or other representative retained by, Seller to, (i) solicit or encourage (including by way of furnishing non-public information) any inquiries or the making of any proposal which constitutes, or may reasonably be expected to lead to, any "other acquisition" or (ii) engage in any discussions or negotiations or enter into any agreement with respect to any other acquisition. Seller shall promptly advise Purchaser orally and in writing of any such inquiries or proposals. As

used in this paragraph, "other acquisition" shall mean any transaction involving the acquisition by a Person other than Purchaser in any manner of all or substantially all the Division.

(c) Other Actions. Seller shall not take any action that would, or  
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that would reasonably be expected to, result in any of the conditions to the Closing set forth in Article V not being satisfied.

(d) Advise of Changes. Seller shall promptly advise Purchaser in  
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writing of the occurrence of any material adverse change in the business or financial condition of the Division.

SECTION 4.2. Access to Information. Seller shall afford to  
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Purchaser and its accountants, counsel and other representatives reasonable access during normal business hours during the period prior to the Closing to all the properties, books, Contracts, commitments, tax returns and records of the Division (other than the Excluded Assets), and, during such period shall furnish promptly to Purchaser any information concerning the Division (other than the Excluded Assets) as Purchaser may reasonably request; provided,  
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however, that Seller is under no obligation to disclose to Purchaser any (i)  
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"Classified Information" other than in compliance with the DIS Industrial Security

Regulations, the DIS Industrial Security Manual and any other applicable government security regulations, (ii) any information the disclosure of which is restricted by Contract or applicable law except in strict compliance with the applicable Contract or law and (iii) any information as to which the attorney-client privilege may be available, until a mutually satisfactory joint defense agreement has been executed by Purchaser and Seller. Purchaser acknowledges that any information being provided to it or its representatives by Sellers pursuant to or in connection with this Agreement is subject to the terms of a confidentiality agreement between Purchaser and Seller dated December 7, 1995 (the "Confidentiality Agreement"), which terms are incorporated herein by reference.

SECTION 4.3. Governmental Approvals, etc. (a) Each of Purchaser and

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Seller shall as promptly as practicable, but in no event later than five business days following the execution and delivery of this Agreement, file with the United States Federal Trade Commission and the United States Department of Justice, the notification and report form under the HSR Act required for the transactions contemplated hereby and any supplemental information requested in connection therewith pursuant to the HSR Act. Each of Purchaser and Seller shall as promptly as

practicable comply with any other laws of any country and the European Union which are applicable to any of the transactions contemplated hereby and pursuant to which any consent, approval, order or authorization of, or registration, declaration or filing with, any Governmental Entity or any other Person in connection with such transactions is necessary. Each of Purchaser and Seller shall furnish to the other such necessary information and reasonable assistance as the other may request in connection with its preparation of any filing, registration or declaration which is necessary under the HSR Act or any other such laws. Purchaser and Seller shall keep each other apprised of the status of any communications with, and any inquiries or requests for additional information from, any Governmental Entity, and shall comply promptly with any such inquiry or request. Purchaser shall use its best efforts to obtain any clearance under the HSR Act or any other consent, approval, order or authorization of any Governmental Entity, necessary in connection with the transactions contemplated hereby or to resolve any objections which may be asserted by any Governmental Entity with respect to the transactions contemplated hereby, including by executing agreements and submitting to judicial or administrative orders to hold

separate and divest any business or assets of the Division or of Purchaser or any of its subsidiaries.

(b) Subject to the terms and conditions of this Agreement, each party shall use its best efforts to cause the Closing to occur, including (i) as contemplated by Section 4.3(a) or 4.4, (ii) defending against any lawsuits, actions or proceedings, judicial or administrative, challenging this Agreement or the consummation of the transactions contemplated hereby, including seeking to have any preliminary injunction, temporary restraining order, stay or other legal restraint or prohibition entered or imposed by any court or other Governmental Entity that is not yet final and nonappealable vacated or reversed; provided, however, that none of Sellers or their affiliates shall be

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required to make any material monetary expenditure, commence or be a plaintiff in any litigation or offer or grant any material accommodation (financial or otherwise) to any third Person. Without limiting the foregoing, each party shall use its best efforts (subject to the proviso in the immediately preceding sentence) to cause the Closing to occur by March 1, 1996.

SECTION 4.4. Novation of Government Contracts and Third Party

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Consents. (a) As soon as practicable following the Closing, Purchaser shall

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prepare (with Seller's

assistance), in accordance with Federal Acquisition Regulations Part 42, (P) 42.12 and any applicable agency regulations or policies, a written request meeting the requirements of the Federal Acquisition Regulations Part 42, as reasonably interpreted by the Responsible Contracting Officer (as such term is defined in Federal Acquisition Regulations Part 42, (P) 42.1202(a)), which shall be submitted by Seller to each Responsible Contracting Officer, for the United States Government to (i) recognize Purchaser as Sellers' successor in interest to all the Acquired Assets constituting Contracts made with the United States Government (collectively, "Government Contracts"); and (ii) to enter into a novation agreement (a "Novation Agreement") in form and substance reasonably satisfactory to Purchaser and Seller and their respective counsel, pursuant to which, subject to the requirements of the Federal Acquisition Regulations Part 42, all of Sellers' right, title and interest in and to, and all of Sellers' obligations and liabilities under, each such Government Contract shall be validly conveyed, transferred and assigned and novated to Purchaser by all parties thereto. Purchaser shall provide to Seller promptly any information regarding Purchaser required in connection with such request. Seller and Purchaser shall each use all reasonable efforts to obtain

all consents, approvals and waivers required for the purpose of processing, entering into and completing the Novation Agreements with regard to any of the Government Contracts, including responding to any requests for information by the United States Government with regard to such Novation Agreements.

(b) In the event that any and all novations, transfer or other agreements, consents, approvals or waivers necessary for the assignment, transfer or novation of any Acquired Asset constituting Intellectual Property, Technology or a Contract, or any claim, right or benefit arising thereunder or resulting therefrom, shall not have been obtained prior to the Closing Date, then as of the Closing, this Agreement, to the extent permitted by law, shall constitute full and equitable assignment by Sellers to Purchaser of all of Sellers' right, title and interest in and to, and all of Sellers' obligations and liabilities under, such Intellectual Property, Technology and Contracts, and, in the

case of Contracts, Purchaser shall be deemed Sellers' agent for purpose of completing, fulfilling and discharging all of Sellers' liabilities under any such Contract. The parties shall take all necessary steps and actions to provide Purchaser with the benefits of such Intellectual Property, Technology and Contracts, and, in the case of Contracts, to relieve Sellers of the performance and other obligations thereunder, including entry into subcontracts for the performance thereof. Purchaser agrees to pay, perform and discharge, and indemnify Sellers against and hold Sellers harmless from, all obligations and liabilities of Sellers relating to such performance or failure to perform under such Contracts.

(c) In the event Sellers shall be unable to make the equitable assignment described in Section 4.4(b), or if such attempted assignment would give rise to any right of termination, or would otherwise adversely affect the rights of Sellers or Purchaser under such Intellectual Property, Technology or Contract, or would not assign all Sellers' rights thereunder at the Closing, Sellers and Purchaser shall continue to cooperate and use all reasonable efforts to provide Purchaser with all such rights. To the extent that any such consents and waivers are not obtained, or until the impediments to such assignment are resolved, Sellers shall use all reasonable efforts (without the expenditure, in the aggregate, of any material sum) to (i) provide to Purchaser, at the request of Purchaser, the benefits of any such Intellectual Property, Technology or Contract to the extent related to the Division, (ii) cooperate in any lawful arrangement designed to provide such



benefits to Purchaser and (iii) enforce, at the request of and for the account of Purchaser, any rights of Sellers arising from any such Intellectual Property, Technology or Contract against any third Person (including any Governmental Entity) including the right to elect to terminate in accordance with the terms thereof upon the advice of Purchaser. To the extent that Purchaser is provided the benefits of any Intellectual Property, Technology or Contract referred to herein (whether from Sellers or otherwise), Purchaser shall perform at the direction of Seller and for the benefit of any third Person (including any Governmental Entity) the obligations of Sellers thereunder or in connection therewith, and Purchaser agrees to pay, perform and discharge, and indemnify Sellers against and hold Sellers harmless from, all obligations and liabilities of Sellers relating to such performance or failure to perform, and in the event of a failure of such indemnity, Sellers shall cease to be obligated under this Agreement in respect of the Intellectual Property, Technology or Contract which is the subject of such failure.

(d) In connection with obtaining the consents contemplated by this Section 4.4, Sellers shall not consent to any modification of any Contract included in the Acquired Assets which would adversely affect the rights of Purchaser

under such Contract without the prior written consent of Purchaser.

SECTION 4.5. (a) Employment.

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(i) Continuation of Employment. Purchaser shall offer employment to

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(x) each Division employee (including any individual whose principal place of employment is on the Premises, who primarily renders services on behalf of the Division and whose compensation cost is borne primarily by the Division) of Sellers or their affiliates (a "Division Employee") who is actively at work on the Closing Date and (y) each employee in the Center, but excluding any employee in the Information Technology Group (each employee in the Center other than an employee of the Information Technology Group being referred to herein as a "Center Employee") who is actively at work on the Closing Date (Division Employees and Center Employees being collectively referred to herein as "Active Employees"). Purchaser shall also honor any legal obligation of Sellers or Purchaser to reemploy any Division Employee and Center Employee who is not actively at work on the Closing Date due to leave of absence, disability leave, military leave or layoff with recall rights (collectively, "Inactive Employees"). The period of such employment shall in the case of Active Employees begin on the Closing Date and in the case of Inactive Employees on

the date that they first become eligible for reemployment. For purposes hereof, any Division Employee or Center Employee who is not actively at work on the Closing Date due to a short-term absence (including due to vacation, holiday, illness or injury of shorter duration than a short-term disability, jury duty or death leave) in accordance with applicable policies of the Sellers or their affiliates shall be deemed an Active Employee. For purposes of this Agreement, Active Employees who immediately following the Closing continue their employment with the Division or Center, as applicable, and Inactive Employees, whether or not they become reemployed by Purchaser (but excluding any Division Employee or Center Employee whose recall rights result solely from a scheduled reduction in force) shall be referred to herein collectively as "Transferred Employees".

(ii) Terms of Offer/Continuation of Compensation and Benefits.  
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Subject to subsections (b), (c), (d), (e) and (f) of this Section 4.5, Purchaser's offer of employment under (i) above shall provide, and Purchaser shall maintain, compensation and benefit plans and arrangements which in the aggregate as to each Transferred Employee are comparable to the wages and benefits in effect on the date of this Agreement for a period of not less than two years following the Closing Date (or, in the case of Transferred Employees

who are subject to a collective bargaining agreement, the period required therein). Purchaser shall have welfare benefit plans in effect on the Closing Date providing continuous uninterrupted medical and dental benefits, life insurance and disability benefit coverage for the Transferred Employees and their dependents who immediately prior to the Closing were covered under welfare benefit plans by Sellers. Purchaser shall recognize each Transferred Employee's eligibility service with Sellers or their affiliates as of the Closing Date as eligibility service with Purchaser for purposes of determining eligibility and benefit levels as applicable in Purchaser's welfare benefit plans, vacation, disability, severance and similar benefits. Purchaser shall cause to be waived any pre-existing condition limitation under the welfare plans applicable to Transferred Employees or their dependents and shall recognize (or cause to be recognized) the dollar amount of all expenses incurred by Transferred Employees and their dependents during the 1996 calendar year for purposes of satisfying the 1996 calendar year deductibles and co-payments limitations under the relevant welfare benefit plans of Purchaser.

(b) Accrued Vacation. Purchaser shall credit each Transferred

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Employee with the unused vacation days and

any personal and sickness days accrued in accordance with the vacation and personnel policies and labor agreements of Sellers or their affiliates in effect as of the Closing Date.

(c) Union Representation. Purchaser agrees to (i) recognize each

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union which at the Closing Date represents any of the Transferred Employees as the collective bargaining representatives of such employees as of the Closing Date and (ii) provide such employees with comparable wages and benefits as those in effect on the date of this Agreement.

(d) Benefit Plans.

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(i) Pension Plan. Purchaser shall, effective as of the Closing,

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establish a defined benefit plan (or designate an existing defined benefit plan of Purchaser), intended to qualify under Section 401(a) of the Code and providing benefits to Transferred Employees who immediately prior to the Closing were participating in, and accruing eligibility service under, the Westinghouse Pension Plan (such new or existing defined benefit plan of Purchaser being referred to herein as "Purchaser's Pension Plan"). Each Transferred Employee participating in the Westinghouse Pension Plan prior to the Closing shall thereupon become a participant in Purchaser's Pension Plan, with credit

(without duplication) for all service with Sellers and their affiliates for purposes of eligibility, vesting and benefit accrual (including eligibility for early retirement and ancillary benefits).

As soon as practicable after the Closing, Seller shall cause to be transferred from the Westinghouse Pension Plan to Purchaser's Pension Plan all accrued benefits and other liabilities of the Westinghouse Pension Plan relating to Transferred Employees (the "Transferred Benefits") in the form and manner described below.

Following the transfer of assets and liabilities from the Westinghouse Pension Plan to Purchaser's Pension Plan as provided herein, Sellers and their affiliates shall have no further liability whatsoever (either under this Agreement or otherwise) with respect to the Transferred Employees for benefits under the Westinghouse Pension Plan.

Seller shall cause Kwasha Lipton ("Seller's Actuary") to determine the amount of assets required by Section 414(1) of the Code for the Transferred Benefits obligation based on allocating assets by priority categories described in Section 4044(a) of ERISA (the "414(1) Amount"), to be transferred from the Westinghouse Pension Plan to Purchaser's Pension Plan. The 414(1) Amount shall be determined as of the Closing Date by Seller's Actuary on the

basis of the PBGC's safe harbor assumptions set forth in Treasury Regulation Section 1.414(l)-1(b)(5)(ii). The actuarial calculation of the liabilities by PBGC priority categories underlying the 414(l) Amount determined by Seller's Actuary shall be reviewed by an actuarial firm designated by Purchaser ("Purchaser's Actuary"). In the event of a dispute between Seller's Actuary and Purchaser's Actuary as to whether the actuarial calculation so determined by Seller's Actuary satisfies the requirements of Section 414(l) of the Code and Section 4044 of ERISA, Seller's Actuary and Purchaser's Actuary shall jointly select a third actuarial firm of national repute to review the calculation, and the determination of such third firm shall be final and binding upon the parties. Seller and Purchaser shall each pay the cost of its own actuary and the cost of the third actuarial firm shall be shared equally by Seller and Purchaser. As soon as practicable following (i) the Closing Date, and (ii) receipt by Seller of an opinion of Purchaser's counsel, reasonably satisfactory to Seller, that Purchaser's Pension Plan meets the requirements for qualification under Section 401(a) of the Code, Seller shall cause to be transferred from the Master Trust for the Westinghouse Pension Plan (the "Master Trust") to the trust established for Purchaser's Pension Plan, in the form of

cash and other assets mutually acceptable to Seller and Purchaser, the 414(1) Amount, plus or minus any earnings and losses thereon (based upon the earnings and losses of the Master Trust from the Closing Date through the date of transfer to Purchaser's Pension Plan) and minus distributions, if any, from, and expenses of administration under, the Westinghouse Pension Plan for benefits or other purposes made with respect to Transferred Employees from the Closing Date through the date of transfer.

(ii) Savings Plan. Effective as of the Closing Date, Purchaser shall

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in effect a defined contribution plan that includes a qualified cash or deferred arrangement within the meaning of Section 401(k) of the Code ("Purchaser's 401(k) Plan") providing benefits as of the Closing to Transferred Employees participating in the Westinghouse Savings Program as of the Closing. Each Transferred Employee who was participating in the Westinghouse Savings Program as of the Closing shall become a participant in Purchaser's 401(k) Plan as of the Closing. Transferred Employees shall receive credit for all service with Sellers and their affiliates for purposes of eligibility and vesting under Purchaser's 401(k) Plan. The Westinghouse Savings Program shall retain all assets and liabilities with respect to the accounts of retirees or



other former employees of the Division or Center ("Former Employees") thereunder.

Upon receipt by Purchaser of a favorable determination letter to the effect that Purchaser's 401(k) Plan is qualified under Section 401(a) of the Code (or an opinion of Purchaser's counsel, reasonably satisfactory to Seller, to such effect), Sellers shall cause to be transferred from the Westinghouse Savings Program to Purchaser's 401(k) Plan assets having a fair market value equal to the aggregate value of the account balances in the Westinghouse Savings Program as of the date of transfer (such transfer to be in shares of common stock of Seller to the extent of shares in the Westinghouse Common Stock Fund applicable to Transferred Employees, in notes evidencing loans to Transferred Employees from their account balances and the balance in cash), and shall also transfer all qualified domestic relations orders, within the meaning of Section 414(p) of the Code. Purchaser's 401(k) Plan shall provide for the receipt of such transfer. Purchaser's 401(k) Plan shall maintain a Westinghouse common stock fund, in accordance with applicable law, for Transferred Employees who so elect, for a period of not less than five years following the Closing.

(iii) Medical and Disability Benefits; Life Insurance.

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(A) Sellers shall be responsible in accordance with their applicable welfare plans in effect prior to the Closing for all medical and dental claims for expenses incurred prior to the Closing Date by Transferred Employees, Former Employees and their dependents. Reimbursement of employees and their dependents for medical and dental expenses associated with such claims (including claims submitted on behalf of disabled employees and their dependents) shall be determined in accordance with the terms of Sellers' medical and dental programs as in effect immediately prior to the Closing Date. Sellers shall terminate coverage of Transferred Employees and their dependents effective for claims for expenses incurred on and after the Closing Date. Purchaser shall be responsible for all medical and dental claims for expenses incurred on and after the Closing Date (including, but not limited to, responsibility for post-retirement medical and dental claims) by Transferred Employees and their dependents; provided, however, that Purchaser's medical and dental programs shall not -----  
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contain a pre-existing condition clause and shall otherwise provide sufficient

medical and dental coverage that Sellers and their affiliates shall have no obligation to provide "COBRA" continuation coverage under Section 4980B(f) of the Code.

(B) Purchaser shall be responsible for all long-term disability income benefits payable in respect of periods on or after the Closing Date for Transferred Employees who become disabled on or after the Closing Date and for short-term disability benefits payable in respect of periods on or after the Closing Date regardless of when the Transferred Employee becomes disabled. Sellers shall be responsible for long-term disability benefits payable in respect of periods on or after the Closing Date for Transferred Employees who become disabled prior to the Closing Date. Nothing herein shall be construed as modifying Purchaser's obligation to reemploy certain Division Employees and Center Employees on or after the Closing Date in accordance with Section 4.5(a)(i).

(C) Purchaser shall be responsible for all life insurance claims (including post-retirement life insurance claims) of Transferred Employees and their dependents for losses incurred by such employees or dependents on and after the Closing Date under group life, travel and

accident, and accidental death and dismemberment insurance policies in effect prior to or following the Closing. Sellers shall be responsible solely for claims for such losses incurred prior to the Closing Date.

(e) Severance Obligations. Sellers and Purchaser agree that the

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transactions contemplated by this Agreement shall not constitute a severance of employment of any Transferred Employee prior to the consummation of the transactions contemplated hereby, and that such employees will have continuous and uninterrupted employment before and immediately after the Closing. Purchaser shall provide severance and other separation benefits to each Transferred Employee terminated by Purchaser within two years following the Closing Date (or, in the case of Transferred Employees who are subject to a collective bargaining agreement, the period required therein) that are comparable to the severance and other separation benefits provided by Sellers and their affiliates in effect on the date of this Agreement. Purchaser shall recognize service with Sellers and their affiliates prior to the Closing Date for purposes of determining the amount of such severance and other separation benefits. Purchaser shall indemnify and hold Sellers and their affiliates harmless from any claims made

by any Transferred Employee for severance or other contract and from any other claims arising out of or in connection with the employment or the failure to offer employment to, or the termination of employment of, any Transferred Employee or the transactions contemplated hereby (excluding any claims for wrongful termination with respect to which Section 7.4 is applicable).

(f) Executive Compensation. Without limiting the generality of  
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Section 4.5(a)(ii), effective as of the Closing, Purchaser shall assume all liabilities and obligations relating to Transferred Employees under the Westinghouse Executive Pension Plan.

(g) Cooperation. The parties agree to furnish each other with such  
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information concerning employees and employee benefit plans, and to take all such other action, as is necessary and appropriate to effect the transactions contemplated by this Agreement.

(h) WARN Act. Purchaser agrees to provide any required notice under  
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the Worker Adjustment and Retraining Notification Act, as amended (the "WARN Act"), and any similar statute, and otherwise to comply with any such statute with respect to any "plant closing" or "mass layoff" (as defined in the WARN Act) or similar event affecting Transferred Employees or

Former Employees and occurring on or after the Closing. Purchaser shall indemnify and hold harmless Sellers with respect to any liability under the WARN Act or similar statute arising from the actions of Purchaser on or after the Closing.

(i) Workers Compensation. Sellers currently sponsor a program that

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provides workers compensation benefits for eligible current and former Division Employees and Center Employees ("Sellers' Workers Compensation Program"). Sellers shall be responsible for all claims for workers compensation benefits which are incurred prior to the Closing Date by such Division Employees and Center Employees that are payable under the terms and conditions of Sellers' Workers Compensation Program. Effective as of the Closing Date, Purchaser shall take all necessary and appropriate action to adopt a workers compensation program providing such workers compensation benefits as are provided under Sellers' Workers Compensation Program for the Transferred Employees covered by such program ("Purchaser's Workers Compensation Program"). Purchaser's Workers Compensation Program shall be responsible for all claims for benefits which are incurred from and after the Closing Date by Transferred Employees that are payable under the terms and conditions of Purchaser's Workers Compensation Program.

For purposes of this Section 4.5(i), a claim for workers compensation benefits shall be deemed to be incurred when the event giving rise to the claim occurs.

(j) Free-Standing Plans. Notwithstanding the foregoing provisions of  
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this Section 4.5, effective as of the Closing, Purchaser shall assume and be responsible for all liabilities and obligations under the Free-Standing Plans. Sellers shall take all action necessary and appropriate to establish Purchaser as successor to Sellers as to all rights, assets, duties, liabilities and obligations under or with respect to such Free-Standing Plans.

(k) Compliance. Seller shall arrange for the corrective actions set  
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forth in Schedule 4.5(k), using its best efforts to complete such actions by the Closing.

SECTION 4.6. Collection of Receivables. From and after the  
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Closing, Purchaser shall have the right and authority to collect for its own account all accounts receivable and other items that are included in the Acquired Assets and to endorse with the name of any of Sellers, any checks or drafts received with respect to any such accounts receivable or other items and Seller agrees promptly to deliver or cause to be delivered to Purchaser any cash or other property received directly or indirectly by any of

Sellers with respect to such receivables and other items, including any amounts payable as interest.

SECTION 4.7. Expenses. Whether or not the Closing takes place, and  
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except as otherwise specifically provided in this Agreement (including with respect to Transfer Taxes as defined in Section 4.14(d)), all costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such costs or expenses.

SECTION 4.8. Brokers or Finders. Each of Purchaser and Seller  
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represents, as to itself and its affiliates, that no agent, broker, investment banker or other Person is or will be entitled to any broker's or finder's fee or any other commission or similar fee in connection with any of the transactions contemplated by this Agreement, except, as to Seller and its affiliates, Evercore Partners, L.L.C., J. P. Morgan Securities Inc. and Chemical Securities, Inc., whose fees and expenses will be paid by Seller and, as to Purchaser and its affiliates, Salomon Brothers Inc, whose fees and expenses will be paid by Purchaser, and each of Purchaser and Seller respectively agrees to indemnify and hold the other harmless from and against any and all claims, liabilities or obligations with respect to any other fees, commissions or expenses asserted



by any Person on the basis of any act or statement alleged to have been made by such party or its affiliate.

SECTION 4.9. License Agreement. (a) On the Closing Date, Purchaser

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shall grant to Seller and its affiliates, pursuant to a license agreement on terms reasonably acceptable to Purchaser and Seller, a nonexclusive, worldwide, paid-up, royalty-free, perpetual license (with a right to sublicense suppliers, customers and others) to use the Intellectual Property and Technology included in the Acquired Assets, and any Intellectual Property and Technology developed during the term of the Transitional Services Agreement referred to in Section 4.16(a) with the involvement of any Center Employee (to the extent derived from work commenced prior to the Closing Date), in connection with any present or future businesses of Seller and its affiliates that are not competitive with the Division's current operations and subsequent extensions thereof falling within the scope of such current operations with respect to the class of customers and field of products or services (such current operations and extensions, collectively, "Division Current Operations"); provided, that such license shall

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be exclusive with respect to the Division's silicon carbide technology, subject to a retained right of Purchaser (with a right to sublicense suppliers,

customers and others) to use such silicon carbide technology in connection with Division Current Operations.

(b) On the Closing Date, Seller shall grant to Purchaser and its affiliates, pursuant to a license agreement on terms reasonably acceptable to Purchaser and Seller, a nonexclusive, worldwide, paid-up, royalty-free, perpetual license (with a right to sublicense suppliers, customers and others) to use any Intellectual Property of any of Sellers, existing as of the Closing and used in the current operations of the Division (other than the Excluded Assets described in Section 1.2(b)(vii) and the Excluded Assets specifically identified as being exempt from this Section 4.9(b) in Schedule 1.2(b)) in connection with Division Current Operations.

SECTION 4.10. Certain Information. After the Closing, upon

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reasonable written notice, Purchaser and Seller shall furnish or cause to be furnished to each other and their respective accountants, counsel and other representatives access, during normal business hours, to such information (including records pertinent to the Division) and assistance relating to the Division as is reasonably necessary for financial reporting and accounting matters, the preparation and filing of any returns, reports or forms or the defense of, or response required under, or

pursuant to, any lawsuit, action or proceeding (including any proceeding involving Seller and any environmental matters related to the Acquired Assets). Purchaser and Seller shall also furnish or cause to be furnished to each other and their respective accountants, counsel and other representative's access, during normal business hours, to such information for any other reasonable business purpose. Purchaser and Seller shall, and shall cause their affiliates to, retain until five years after the Closing Date all such records pertinent to the Division which are owned by such Person immediately after the Closing (excluding any Excluded Assets other than any books and records that constitute Excluded Assets pursuant to Schedule 1.2(b) and which relate primarily to the Division); after the end of such period, before disposing of any such records, the applicable party shall give notice to such effect to the other, and shall give the other, at the other's cost and expense, a reasonable opportunity to remove and retain all or any part of such records as the other may select. Cooperation with respect to tax matters shall be governed by Section 4.14(k).

SECTION 4.11. Bulk Transfer Laws. Purchaser hereby waives compliance  
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by Sellers with the provisions of any so-called "bulk transfer law" of any jurisdiction in connection with the sale of the Acquired Assets to

Purchaser. Seller shall indemnify and hold harmless Purchaser against any and all liabilities that may be asserted by third parties against Purchaser as a result of noncompliance with any such bulk transfer law.

SECTION 4.12. Additional Agreements. Subject to the provisions of

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Section 4.4, each of Purchaser and Seller will use all reasonable efforts to facilitate and effect the implementation of the transfer of the Acquired Assets to Purchaser and the assumption of the Assumed Liabilities by Purchaser and, for such purpose but without limitation, each of Purchaser and Seller promptly will at and after the Closing execute and deliver or cause to be executed and delivered to the other party such assignments, deeds, bills of sale, assumption agreements, consents and other instruments of transfer or assumption as Purchaser or its counsel or Seller or its counsel may reasonably request as necessary or desirable for such purpose (it being understood that any such assignment, deed, bill of sale, assumption agreement, consent or other instrument of transfer or assumption shall not provide for any representations or warranties or any obligations or liabilities that are not otherwise expressly provided for in this Agreement). In addition, as soon as practicable after the Closing, for such purpose but without limitation, Seller shall pay Purchaser,

or Purchaser shall pay Seller, the amount, if any, by which the assets of the Westinghouse Pension Plan transferred to Purchaser's Pension Plan shall be less or greater, respectively, than the amount required to be transferred under Section 4.5(d)(i).

SECTION 4.13. Certain Understandings. Purchaser acknowledges that  
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none of Sellers or any other Person has made any representation or warranty, express or implied, as to the accuracy or completeness of any information regarding the Division, the Acquired Assets or other matters not included in this Agreement or the Schedules hereto, and none of Sellers or any other Person will be subject to any liability to Purchaser or any other person resulting from the distribution to Purchaser, or Purchaser's use of, any such information (including the Descriptive Memorandum dated December 1995). Purchaser acknowledges that, should the Closing occur, Purchaser will acquire the Acquired Assets without any representation or warranty as to merchantability or fitness for any particular purpose, in an "as is" condition and on a "where is" basis, except as otherwise expressly represented or warranted herein.

SECTION 4.14. Allocation; Tax Matters.  
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(a) Schedule 4.14 sets forth, on a country-by-country basis, the allocation of the consideration hereunder for tax

purposes. Prior to the Closing, Purchaser and Seller shall agree upon the allocation of the consideration hereunder for tax purposes among the Acquired Assets and the assets held by any Sold Subsidiary with respect to which a Section 338 Election is made, in accordance with Schedule 4.14, and shall set forth such allocation on a statement (the "Allocation Statement"). After the Closing, from time to time, Purchaser and Seller shall agree upon revisions to the Allocation Statement to reflect any adjustments to the consideration for tax purposes. Purchaser and Seller shall report the tax consequences of the transactions contemplated by this Agreement in a manner consistent with the Allocation Statement, as it may be revised from time to time and shall not take any position inconsistent therewith in any examination of any Tax Return, in any refund claim or in any litigation or investigation, except as required by applicable law.

(b) Purchaser and Seller shall file and cause to be filed all Tax Returns and execute such other documents as may be required by any taxing authority, in a manner consistent with the Allocation Statement, as it may be revised from time to time. Seller shall prepare Internal Revenue Service Form 8594 pursuant to Section 1060 of the Code relating to the transactions contemplated by this Agreement based on the Allocation Statement, as it may

be revised from time to time, and deliver such form to Purchaser. Purchaser and Seller shall file, or cause the filing of, such form with each relevant taxing authority.

(c) With respect to the purchase of the capital stock of Sold Subsidiaries that are U.S. corporations, Seller and Purchaser shall (i) jointly make the election pursuant to Section 338(h)(10) of the Code and any comparable election under state and local law (the "Section 338 Elections"), (ii) cooperate with each other to take all actions necessary to effect and preserve timely Section 338 Elections in accordance with Treasury Regulation Section 1.338(h)(10) (and any comparable provisions of state and local law and any successor provisions thereto) and (iii) take no position inconsistent with treating the purchases of the capital stock of such corporations as Section 338 Elections. Unless prohibited by applicable law, Seller and Purchaser shall cause the Sold Subsidiaries to elect to end their taxable years as of the Closing Date in states that do not recognize an election comparable to the election under Section 338(h)(10) of the Code.

(d) Purchaser shall bear, and to the extent permitted by law shall pay, all transfer, documentary, sales, use, registration, stamp, value-added and other similar taxes (including all applicable real estate transfer

taxes and real property gains taxes), including any penalties, interest and additions to tax, incurred in connection with the transactions contemplated hereby and any taxes or other costs relating to a transfer, or that would not otherwise be payable in the absence of such transfer (including as a result of the transactions contemplated by this Agreement and including the use of a tax attribute to reduce taxes), made at Purchaser's request pursuant to Section 4.14(1) ("Transfer Taxes"), and Purchaser shall reimburse Seller for any Transfer Taxes paid by Seller within five days of Seller's written request. Seller and Purchaser shall cooperate in timely making and filing all Tax Returns as may be required to comply with the provisions of any Transfer Tax laws and in making arrangements that lawfully minimize Transfer Taxes without increasing other taxes above the amount that would otherwise be payable in the absence of such arrangements. To the extent legally able to do so, Purchaser shall deliver to Seller exemption certificates satisfactory in form and substance to Seller with respect to Transfer Taxes if such delivery would reduce the amount of Transfer Taxes that would otherwise be imposed.

(e) Seller shall terminate and shall cause the termination by the Closing of any agreement or practice



relating to Taxes between Seller or any of its affiliates (other than any Investment), on the one hand, and any Investment, on the other hand.

(f) At the Closing, Seller shall deliver to Purchaser duly executed certificates certifying that the transactions contemplated hereby are exempt from withholding under Section 1445 of the Code.

(g) For purposes of this Agreement, (i) "tax" means all Federal, state, foreign or other governmental taxes, assessments duties, fees, levies or similar charges of any kind, including all income, profit, franchise, excise, property, use, intangibles, sales, payroll, employment, withholding and other taxes, and including all interest and penalties imposed with respect to such amounts, (ii) "Income Tax" means any tax on or determined by reference to net income and (iii) "Tax Return" means any return, report, form or other information filed with any taxing authority with respect to taxes.

(h) To the extent permitted by law, Purchaser shall not, and shall cause each Sold Subsidiary not to, carry back any item of income, loss, credit or deduction from any period beginning after the Closing Date to any period including or ending prior to the Closing Date.

(i) Seller shall file any amended consolidated, combined or unitary tax returns that include any Sold Subsidiary for taxable years ending on or prior to the Closing Date which are required as a result of examination adjustments made by any taxing authority as finally determined. For those jurisdictions in which separate returns are filed by any Sold Subsidiary, any required amended returns resulting from such examination adjustments, as finally determined, shall be prepared by Seller and furnished to such Sold Subsidiary, for signature and filing at least ten days prior to the due date for filing such returns.

(j) Seller shall cause to be prepared and duly filed all Federal income Tax Returns and state and local Tax Returns with respect to the Acquired Assets or the income or operations of the Division for taxable periods ending on or before the Closing Date. In the case of any taxable period of any Sold Subsidiary that includes but does not end on the Closing Date, Purchaser shall cause to be prepared any required state and local Tax Returns, and after providing Seller with copies no later than 30 days before the date due (including extensions) and receiving Seller's approval to file (which approval shall not be unreasonably withheld), shall cause such Tax Returns to be filed. In the case of

any foreign Sold Subsidiary, Purchaser shall cause to be prepared any required Tax Returns for Pre-Closing Taxable Periods that have not been filed by the Closing Date, and after providing Seller with copies no later than 20 days before the date due (including extensions) and receiving Seller's approval to file (which approval shall not be unreasonably withheld), shall cause such Tax Returns to be filed. Each of Seller and Purchaser shall cause all Tax Returns addressed in this Section 4.14(j) to be prepared in accordance with the methodology used in prior taxable years.

(k) Seller and Purchaser shall each provide the other with such assistance as may be reasonably requested (including making employees reasonably available to provide information or testimony) in connection with the preparation of any Tax Return, any Tax Controversy (as defined in Section 4.14(m)(ii)), or the determination of liability for taxes with respect to the Acquired Assets or the income or operations of the Division. Purchaser shall complete Seller's standard tax packages relating to Tax Returns that Seller is responsible for filing pursuant to Section 4.14(j) and deliver them to Seller within 90 days of Purchaser's receipt from Seller and shall cause its affiliates to, cooperate with Seller in preparing and pursuing any claims for refunds or credits of Income Taxes

(including refunds or credits relating to any FSC for purposes of the Code, investment tax credits, research credits and credits for prepayments of Income Taxes). At Purchaser's request and expense, Seller shall file claims prepared by Purchaser for refunds of taxes (other than items described in Section 1.3(b)(ii)) and promptly pay over the amount recovered to Purchaser (without any interest, other than interest paid by the applicable taxing authority with respect to such refund); provided, however, that Purchaser shall promptly

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reimburse Seller to the extent that such refund is reclaimed by a taxing authority (without any interest, other than interest due to the applicable taxing authority with respect to such reclamation). Seller and Purchaser each shall, and shall cause their affiliates to, retain until seven years after the Closing Date all Tax Returns, schedules, work papers and other records that are owned by such Person immediately after the Closing and that relate to the Division or the Acquired Assets; after the end of such period, before disposing of any such Tax Returns, schedules, work papers or other records, each shall give notice to such effect to the other, and shall give the other, at the other's cost and expense, a reasonable opportunity to remove and retain all or any part of such Tax

Returns, schedules, work papers or other records as the other may select.

(l) At Purchaser's written reasonable request received by Seller no later than 30 days (or such later date as the parties may mutually agree) after the date hereof, Seller shall, or shall cause the Selling Subsidiaries to, transfer such of the Acquired Assets as designated in such request by Purchaser to one or more newly formed subsidiaries prior to the Closing Date, which newly formed subsidiaries shall be treated as Sold Subsidiaries for all purposes of this Agreement.

(m) (i) Purchaser shall, in the event that Purchaser receives notice (whether orally or in writing) of any examination, claim, proposed settlement, proposed adjustment or related matter with respect to any taxes for which Purchaser may be indemnified hereunder (the "Seller Tax Controversies") promptly notify Seller thereof, provided, however that failure to give such notification -----  
shall not affect the indemnification provided hereunder except to the extent Seller shall have been actually prejudiced as a result of such failure (except that the Seller shall not be liable for any expenses incurred during the period in which the Purchaser failed to give such notice). Seller shall be entitled at its sole discretion

and expense to handle, control and compromise or settle the Seller Tax Controversies, and shall reasonably inform Purchaser of the progress of the Seller Tax Controversies.

(ii) Seller shall, in the event Seller receives notice (whether orally or in writing) of any examination, claim, proposed settlement, proposed adjustment or related matter with respect to taxes (other than Seller Tax Controversies) (the "Purchaser Tax Controversies", and together with the Seller Tax Controversies, the "Tax Controversies"), promptly notify Purchaser thereof, provided, however that failure to give such notification shall not affect the

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indemnification provided hereunder except to the extent Purchaser shall have been actually prejudiced as a result of such failure (except that the Purchaser shall not be liable for any expenses incurred during the period in which Seller failed to give such notice). Purchaser shall be entitled at its sole discretion and expense to handle, control and compromise or settle the Purchaser Tax Controversies, and shall reasonably inform Seller of the progress of the Purchaser Tax Controversies.

(n) Seller shall use its best efforts to provide Purchaser within 30 days of the date hereof with a list of state and foreign jurisdictions where Tax Returns for the

Sold Subsidiaries are filed and with copies of the most recently filed foreign Tax Returns.

(o) Seller shall cooperate with Purchaser in determining prior to the Closing Date the extent to which any payments that may be required to be made by Purchaser or the Sold Subsidiaries after the Closing to employees of the Division would constitute excess parachute payments within the meaning of Section 280G of the Code.

SECTION 4.15. Supplies. Purchaser shall not use any signs or

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stationery, purchase order forms, packaging or other similar paper goods or supplies, or advertising and promotional materials, product, training and service literature and materials, or computer programs or like materials (collectively, the "Supplies"), that state or otherwise indicate thereon that the Division is a division or unit of Seller or contain any trademarks, servicemarks, trade names or corporate or business names, derived from or including the words "Westinghouse Electric Corporation", "Westinghouse" or "Circle W" (in logotype design or any other style or design) in whole or in

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part; provided, that to the extent any Supplies included in the Acquired Assets

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so indicate, Purchaser may, for a period of 90 days after the Closing Date, use such Supplies after first crossing out or marking over such statement or indication or trademark,

servicemark, trade name or corporate or business name and otherwise clearly indicating on such Supplies that the Division is no longer a division or unit of Seller. Purchaser shall not reorder or produce any Supplies which state or otherwise indicate thereon that the Division is a division or unit of Seller or contain any such trademarks, servicemarks, trade names or corporate or business names.

(b) Purchaser agrees to use its best efforts to cause those entities (the "Licensed Entities") listed on Schedule 3.1(j)(xii) that currently have license agreements with Seller for the use of any trademarks, servicemarks, trade names or corporate or business names derived from or including the words "Westinghouse Electric Corporation", "Westinghouse" or "Circle W" (in logotype

design or any other style or design) in whole or in part ("Westinghouse-related Marks") to cease using such Westinghouse-related Marks as soon as possible. Seller agrees to continue any currently existing license agreement with a Licensed Entity for the use of such Westinghouse-related Marks until six months after the Closing Date. Seller further agrees, in the event that Purchaser has used its best efforts to cause the Licensed Entities to cease using Westinghouse-related Marks, but any such Licensed Entity has not so ceased within six months after the Closing Date, to continue any currently



existing license agreement with any such Licensed Entity for the use of Westinghouse-related Marks for an additional six month period. In all cases, any such continued license shall terminate when the Licensed Entity ceases to use the Westinghouse-related Marks.

SECTION 4.16. Post-Closing Agreements. During the period prior

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to the Closing, Seller and Purchaser agree to negotiate in good faith and enter into the following agreements:

(a) Transitional Services. The services to be provided by Seller

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to Purchaser shall be mutually agreed upon and shall consist of (i) services which are currently provided to the Division by Seller and which are necessary to conduct and operate the Division as presently conducted, (ii) technical support provided in connection with the Center and (iii) services provided in connection with the Contracts set forth in Schedule 3.1(j) pursuant to Section 3.1(j)(xiv). These services shall be provided during the period from the Closing Date until 12 months after the Closing Date (except for (i) technical support provided in connection with Center Employees, which shall be provided during fiscal year 1996, and (ii) services provided in connection with the Contracts set forth in Schedule 3.1(j) pursuant to Section 3.1(j)(xiv), which shall be provided for

the duration of such Contracts). Seller will provide these services in substantially the same manner and consistent with the rates currently charged by Seller or as adjusted on a uniform basis with respect to the provision of these types of services to Seller's other non-Division businesses. All such services shall be provided in accordance with the "Transitional Services Agreement" substantially in the form set forth in Exhibit A-1 and on such additional terms as shall be mutually agreeable.

(b) Sublease at the Center. Seller shall sublease to Purchaser

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certain facilities at the Center in accordance with the "Center Sublease Agreement" substantially in the form set forth in Exhibit A-2. Purchaser and Seller agree that the terms of the covenants contained in the Center Sublease Agreement will not be materially more restrictive to Purchaser than the terms of the covenants contained in the master lease with respect to Sellers' Science and Technology Center are to Seller. Seller further agrees to provide Purchaser with a copy of the master lease with respect to Sellers' Science and Technology Center.

(c) Facilities. Seller and Purchaser shall enter into mutually

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agreeable arrangements relating to the use of facilities and equipment for Transferred Employees currently

located in Sellers' non-Division facilities (other than the Center).

SECTION 4.17. Audited Financials. Seller shall exercise its

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reasonable good faith efforts to provide to Purchaser prior to January 31, 1996, but in no event later than February 15, 1996, shall provide audited combined balance sheets of the Division as of December 31, 1994 and 1995, and audited combined statements of income and cash flows of the Division for the three years ended December 31, 1995, in each case prepared from the books and records of Seller and its subsidiaries relating to the Division in accordance with generally accepted accounting principles applied on a consistent basis, except as described in the notes thereto, and Seller shall request from, and use its reasonable good faith efforts to obtain from, Price Waterhouse a report thereon prepared and certified by Price Waterhouse. In the event that such audited financial statements have not been provided to Purchaser on or prior to January 31, 1996, Seller shall provide Purchaser with Seller's good faith estimates of the information which would be included in such audited financial statements.

SECTION 4.18. Non-Solicitation; No-Hire. For a period of

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eighteen months following the Closing Date, Seller shall not solicit for hire or hire in any capacity any

Transferred Employee (who continues at the time to be employed by Purchaser) for employment by Seller in any capacity; provided, however, that this prohibition

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shall not apply to:

(i) clerical or unionized employees or administrative employees who do not hold executive titles;

(ii) Transferred Employees who, after the Closing Date, (A) have been given notice of layoff or termination, (B) are, with or without such notice, laid off or otherwise terminated by Purchaser or (C) have voluntarily retired from active employment with Purchaser;

(iii) Transferred Employees who are employed in a facility, operation or business segment divested by Purchaser after the Closing Date; and

(iv) any Transferred Employees who the Purchaser expressly agrees may be excepted from the provisions of this Section 4.18. Placement by Seller during such period of general employment advertisements in any medium, including trade journals, newspapers and periodicals of general circulation, electronic media or other public media where such advertisements are customarily placed shall not operate or be construed as

a breach of the no-solicitation provision of this Section 4.18, whether or not responded to by any Transferred Employee.

SECTION 4.19. Administration of Insurance. During the period prior  
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to the Closing, Seller and Purchaser agree to negotiate in good faith and enter into an Insurance Administration Agreement covering any insurance policy maintained by any of Sellers applicable to the Acquired Assets providing that Seller shall continue to administer all such policies consistent with Seller's corporate practice (including any decision to terminate, commute or modify any such policy), and shall include appropriate arrangements for the allocation of deductibles under current coverage and claims processing.

ARTICLE V

Conditions Precedent  
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SECTION 5.1. Conditions to Each Party's Obligation. The  
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obligation of Purchaser to purchase the Acquired Assets and the obligation of Seller to sell, assign, transfer, convey and deliver the Acquired Assets to Purchaser shall be subject to the satisfaction prior to the Closing of the following conditions:

(a) Certain Waiting Periods. Any waiting period under the HSR Act  
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applicable to any of the transactions

contemplated hereby shall have expired or been earlier terminated.

(b) No Injunctions or Restraints. No temporary restraining order,  
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preliminary or permanent injunction or other legal restraint or prohibition preventing the consummation of the transactions contemplated by this Agreement shall be in effect; provided, however, that each of Purchaser,  
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and, subject to the proviso in Section 4.3(b), Seller shall have used its best efforts to prevent the entry of any such order, injunction or other restraint or prohibition and to appeal as promptly as possible any such order, injunction or other restraint or prohibition that may be entered.

SECTION 5.2. Conditions to Obligation of Purchaser. The obligation  
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of Purchaser to purchase the Acquired Assets is subject to the satisfaction at and as of the Closing of each of the following conditions:

(a) Representations and Warranties. The representations and  
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warranties of Seller set forth in this Agreement shall be true and correct in all material respects as of the date of this Agreement and as of the Closing as though made at and as of the Closing, except as otherwise contemplated by this Agreement, and Purchaser shall have received a certificate signed by an authorized officer of Seller to such effect.

(b) Performance of Obligations of Seller. Seller shall have

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performed or complied in all material respects with all obligations, conditions and covenants required to be performed or complied with by it under this Agreement at or prior to the Closing, and Purchaser shall have received a certificate signed by an authorized officer of Seller to such effect.

(c) Opinion of Seller's Counsel. Purchaser shall have received (i)

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an opinion dated the Closing Date of Cravath, Swaine & Moore, special counsel to Seller, substantially in the form set forth in Exhibit B, and (ii) an opinion dated the Closing Date of William F. Stoll, Vice President and Deputy General Counsel of Seller, substantially in the form set forth in Exhibit C.

(d) Banking Moratorium. There shall not have occurred any

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declaration of a banking moratorium by Federal or New York state authorities which results in the Banks failing to provide the financing for the transactions contemplated hereby pursuant to the Commitments solely as a result of such banking moratorium.

SECTION 5.3. Conditions to Obligation of Seller. The obligation of

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Seller to sell, assign, transfer, convey, and deliver the Acquired Assets is subject to the

satisfaction at and as of the Closing of each of the following conditions:

(a) Representations and Warranties. The representations and

warranties of Purchaser set forth in this Agreement shall be true and correct in all material respects as of the date of this Agreement and as of the Closing as though made at and as of the Closing, except as otherwise contemplated by this Agreement, and Seller shall have received a certificate signed by an authorized officer of Purchaser to such effect.

(b) Performance of Obligations of Purchaser. Purchaser shall have

performed or complied in all material respects with all obligations, conditions and covenants required to be performed or complied with by it under this Agreement at or prior to the Closing, and Seller shall have received a certificate signed by an authorized officer of Purchaser to such effect.

(c) Opinion of Purchaser's Counsel. Seller shall have received (i)

an opinion dated the Closing Date of Gibson, Dunn & Crutcher, special counsel to Purchaser, substantially in the form set forth in Exhibit D, and (ii) an opinion dated the Closing Date of Richard Molleur, General Counsel of Purchaser, substantially in the form set forth in Exhibit E.



ARTICLE VI

Termination, Amendment and Waiver  
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SECTION 6.1. Termination. (a) Notwithstanding anything to the  
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contrary in this Agreement, this Agreement may be terminated and the transactions contemplated hereby abandoned at any time prior to the Closing:

(i) by mutual written consent of Seller and Purchaser;

(ii) by Seller if any of the conditions set forth in Sections 5.1 or 5.3 shall have become incapable of fulfillment, and shall not have been waived by Seller;

(iii) by Purchaser if any of the conditions set forth in Sections 5.1 or 5.2 shall have become incapable of fulfillment, and shall not have been waived by Purchaser; or

(iv) by Seller or Purchaser if the Closing does not occur on or prior to September 30, 1996;

provided, however, that the party seeking termination pursuant to clause (ii),  
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(iii) or (iv) is not in breach in any material respect of any of its representations, warranties, covenants or agreements contained in this Agreement.

(b) In the event of termination by Seller, on the one hand, or Purchaser, on the other hand, pursuant to this

Section 6.1, written notice thereof shall forthwith be given to the other party and the transactions contemplated by this Agreement shall be terminated, without further action by any party. If the transactions contemplated by this Agreement are terminated as provided herein:

(i) Purchaser shall return all documents and other material received from Sellers relating to the transactions contemplated hereby, whether so obtained before or after the execution hereof, to Seller; and

(ii) all confidential information received by Purchaser with respect to the Division and the businesses of Sellers shall be treated in accordance with the Confidentiality Agreement which shall remain in full force and effect notwithstanding the termination of this Agreement.

(c) If this Agreement is terminated and the transactions contemplated hereby are abandoned pursuant to this Section 6.1 for any reason other than a termination by Purchaser pursuant to this Section 6.1 as a result of a failure to satisfy any condition set forth in Section 5.2(a), (b) or (c) (which failure shall not have been cured within five business days (or, if earlier, September 30, 1996) following Seller's receipt of written notice of such failure from Purchaser), Purchaser shall pay to Seller on

demand a termination fee of \$60,000,000, by wire transfer to an account designated in writing by Seller of immediately available funds.

(d) If this Agreement is terminated and the transactions contemplated hereby are abandoned as described in this Section 6.1, this Agreement shall become null and void and of no further force and effect, except for the provisions of (i) Section 4.2 relating to the obligation of Purchaser to keep confidential certain information and data obtained by it from Seller, (ii) this Agreement relating to expenses (including Sections 4.7 and 4.14(d)), (iii) Section 4.8 relating to finder's fees and broker's fees, (iv) this Section 6.1 and (v) Article VIII. Nothing in this Section 6.1, including any payment of the termination fee payable pursuant to Section 6.1(c), shall be deemed to release either party from any liability for any breach by such party of the terms and provisions of this Agreement or to impair the right of either party to compel specific performance by the other party of its obligations under this Agreement; it being understood that such termination fee may be credited against any damages payable by Purchaser to Seller as a result of a breach by Purchaser.

SECTION 6.2. Amendments and Waivers. This Agreement may not be  
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amended except by an instrument in

writing signed on behalf of each of the parties hereto. By an instrument in writing Purchaser, on the one hand, or Seller, on the other hand, may waive compliance by the other party with any term or provision of this Agreement that such other party was or is obligated to comply with or perform.

ARTICLE VII

Indemnification  
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SECTION 7.1. Indemnification by Seller. (a) Except with respect to  
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environmental matters (which are exclusively the subject of Section 7.3) and the matters which are the subject of Sections 7.4 and 7.5, Seller hereby agrees to indemnify Purchaser and its affiliates and their respective officers, directors, employees, stockholders, agents and representatives against, and agrees to hold them harmless from, any loss, liability, claim, damage or expense (including reasonable legal fees and expenses), as incurred (payable quarterly upon written request, with interest from the date which is 30 days from the date of such request to the date of actual payment, at the prime or base rate of Chase Manhattan Bank N.A. announced from time to time), to the extent arising from, relating to or otherwise in respect of (i) any breach of any representation or warranty of Seller (other than that contained in Section 3.1(p)) which survives the Closing contained in this Agreement, (ii) any

breach of any covenant of any of Sellers contained in this Agreement or in any Seller Ancillary Document requiring performance after the Closing or (iii) any Excluded Liabilities; provided, however, that Seller shall not have any

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liability under clause (i) above unless the aggregate of all losses, liabilities, costs and expenses relating thereto for which Seller would, but for this proviso, be liable under clause (i) above exceeds on a cumulative pre-tax basis an amount equal to \$50,000,000, and then only to the extent of any such excess; provided further, however, that Seller shall not have any liability

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under this Section 7.1 to the extent the liability or obligation arises as a result of the operation of the business of the Division or the Acquired Assets after the Closing or any action taken or omitted to be taken by Purchaser or any of its affiliates.

Purchaser acknowledges and agrees that its sole and exclusive remedy with respect to any and all claims relating to the subject matter of this Agreement shall be pursuant to the indemnification provisions set forth in this Article VII. In furtherance of the foregoing, Purchaser hereby waives, to the fullest extent permitted under applicable law, any and all rights, claims and causes of action it may have against Sellers, their affiliates and their respective officers, directors, employees,

stockholders, agents and representatives arising under or based upon any Federal, state, local or foreign statute, law, ordinance, rule or regulation (including any such relating to environmental matters or arising under or based upon common law or otherwise) or otherwise (except pursuant to the indemnification provisions set forth in this Article VII).

SECTION 7.2. Indemnification by Purchaser. Purchaser hereby agrees

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to indemnify Sellers, their affiliates and their respective officers, directors, employees, stockholders, agents and representatives against, and agrees to hold them harmless from, any loss, liability, claim, damage or expense (including reasonable legal fees and expenses), as incurred (payable quarterly upon written request, with interest from the date which is 30 days from the date of such request to the date of actual payment, at the prime or base rate of Chase Manhattan Bank N.A. announced from time to time), to the extent arising from, relating to or otherwise in connection with (i) any breach of any representation or warranty of Purchaser contained in this Agreement, (ii) any breach of any covenant of Purchaser contained in this Agreement or in any Purchaser Ancillary Document requiring performance after the Closing, (iii) subject to Sections 7.3, 7.4 and 7.5, any Assumed

Liabilities (including Pre-Closing Environmental Liabilities (as defined in Section 7.3) for which Purchaser is liable pursuant to Section 7.3) or (iv) subject to Section 7.3, the operation of the business of the Division or the Acquired Assets, or any actions or omissions of Purchaser, its affiliates, agents, contractors or subcontractors in connection therewith, after the Closing.

SECTION 7.3. Environmental Liability. (a) Seller hereby agrees to

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indemnify Purchaser and its affiliates and their respective officers, directors, employees, stockholders, agents and representatives against, and agrees to hold them harmless from, any loss, liability, claim, damage or expense (including reasonable legal fees and expenses), as incurred (payable quarterly upon written request, with interest from the date which is 30 days from the date of such request to the date of actual payment, at the prime or base rate of Chase Manhattan Bank N.A. announced from time to time), to the extent arising from, relating to or otherwise in respect of, but not to the extent that Purchaser's actions or omissions cause, contribute to or exacerbate (i) any breach of any representation or warranty of Seller set forth in Section 3.1(p) of this Agreement and (ii) any Environmental Liability (any of the matters described in clauses (i) or

(ii) above are collectively referred to as "Pre-Closing Environmental Liabilities"); provided, however, that Seller shall not have any obligation or

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liability for Pre-Closing Environmental Liabilities unless the aggregate of all Pre-Closing Environmental Liabilities for which Seller, but for this proviso, would be liable exceeds on a cumulative pre-tax basis an amount equal to \$50 million, in which case Seller's liability shall be for sixty percent (60%) of any such excess over \$50 million and Purchaser's liability shall be for forty percent (40%) of any such excess over \$50 million; provided further, however,

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that Seller shall not have any further obligation or liability for Pre-Closing Environmental Liabilities if and when the aggregate of all Pre-Closing Environmental Liabilities for which Seller would be liable but for this proviso and the immediately preceding proviso and but for Section 7.3(b) exceeds on a cumulative pre-tax basis an amount equal to \$150 million, in which case Purchaser's liability shall be for one hundred percent (100%) of any such excess over \$150 million. For the purposes of the foregoing, any amount spent on Remedial Actions with respect to the Division's Sunnyvale, California facility shall not be counted as Pre-Closing Environmental Liabilities to the extent that such amounts are attributable to the use of cleanup standards more stringent than those



consistent with industrial or commercial use of that property.

(b) For purposes of this Section 7.3, the aggregate of all Pre-Closing Environmental Liabilities "on a cumulative pre-tax basis" is the actual amount of such aggregate without regard to any tax benefit relating to the accrual or payment of such aggregate; provided, however, that Seller's

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indemnification obligation with respect to the amount of any Pre-Closing Environmental Liability for which Seller is obligated to provide indemnification under this Section 7.3 shall be subject to the provisions of Section 7.6.

(c) Purchaser acknowledges and agrees that its sole and exclusive remedy with respect to any and all claims relating to environmental, health and safety matters shall be pursuant to the indemnification provisions set forth in this Section 7.3. In furtherance of the foregoing, Purchaser hereby waives, to the fullest extent permitted under applicable law, any and all rights, claims and causes of action it may have against Sellers, their affiliates and their respective officers, directors, employees, stockholders, agents and representatives arising under or based upon any Environmental Law or in connection with any Environmental Liabilities.

(d) Notwithstanding any other provision of this Agreement to the contrary, Seller shall have no liability pursuant to this Section 7.3 for Pre-Closing Environmental Liabilities not made known to Seller by Purchaser in a written statement within three (3) years of the Closing Date. Such written statement shall be in reasonable detail, including as to the nature and extent of the Pre-Closing Environmental Liability.

(e) With respect to the first \$50 million of Pre-Closing Environmental Liabilities on a cumulative pre-tax basis for which Purchaser has liability pursuant to this Section 7.3 and to the extent that such liability involves the implementation of a Remedial Action, Seller shall have the right to review and provide Purchaser with written comments in advance of (i) the Purchaser's selection of consultants and contractors designated to perform the Remedial Action and (ii) the development of the scope of work for, and type of, the Remedial Action to be implemented. Purchaser shall review and reasonably consider Seller's comments. Purchaser shall provide all plans, reports and submissions to any Governmental Entity regarding any such Remedial Action in draft form to Seller a reasonable time prior to transmission of such items to such Governmental Entity and Purchaser shall review and

reasonably consider any of Seller's comments on such plans, reports and submissions.

(f) If the Pre-Closing Environmental Liabilities for which Seller has actual liability pursuant to Section 7.3(a) involve the implementation of a Remedial Action, then Seller shall have the right to review and provide Purchaser with written comments in advance of (i) the Purchaser's selection of consultants and contractors designated to perform the Remedial Action and (ii) the development of the scope of work for, and type of, the Remedial Action to be implemented. All plans, reports and submissions to any Governmental Entity regarding any such Remedial Action (including those in connection with the scope of work for and type of Remedial Action) shall be provided in draft form to Seller a reasonable time prior to transmission to such Governmental Entity and shall not be transmitted to such Governmental Entity unless and until Seller and Purchaser agree as to the form and substance of such plans, reports and submissions; provided, however, that if Seller and Purchaser, despite reasonable

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good faith efforts, cannot agree as to the form and substance of such plans, reports and submissions, then prior to transmission to the applicable Governmental Entity, either party may elect to have the disputed matters presented to an environmental

consultant for a binding arbitration, which environmental consultant shall be mutually acceptable to both parties and shall be jointly retained by the Seller and Purchaser who shall share equally such environmental consultant's fees and expenses; provided further, however, that any such arbitration shall be

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completed prior to any deadline set by the applicable Governmental Entity relating to such plans, reports and submissions.

SECTION 7.4. Employment Liabilities. (a) Subject to Section 7.4(c),

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Seller hereby agrees to indemnify Purchaser and its affiliates and their respective officers, directors, employees, stockholders, agents and representatives against, and agrees to hold them harmless from, any loss, liability, claim, damage or expense (including reasonable legal fees and expenses), as incurred (payable quarterly upon written request, with interest from the date which is 30 days from the date of such request to the date of actual payment, at the prime or base rate of Chase Manhattan Bank N.A. announced from time to time), to the extent arising from, relating to or otherwise in respect of (i) Andrew Herman et al. v. Westinghouse Electric Corporation (docket

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number MJG 93-285 U.S. Dist. Ct. Maryland filed January 28, 1993) and EEOC v.

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Westinghouse Electric Corporation (docket number Y 93-1004 U.S. Dist. Ct.

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Maryland) (collectively, "Herman") and (ii) any claim of wrongful or unlawful termination (which shall not include "constructive termination" based solely on the consummation of the transactions contemplated hereby) by any employee of the Division whose employment was terminated on or prior to the Closing Date (any of the matters described in clauses (i) or (ii) above are collectively referred to as "Employment Liabilities"); provided, however, that Seller shall not have any

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liability in respect of any Employment Liabilities unless the aggregate of all Employment Liabilities for which Seller would, but for this proviso, be liable exceeds on a cumulative pre-tax basis an amount equal to \$10 million, in which case Seller's liability shall be for fifty percent (50%) of any such excess over \$10 million and Purchaser's liability shall be for fifty percent (50%) of any such excess over \$10 million; provided further, however, that Purchaser shall

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not have any further obligation or liability for Employment Liabilities if and when the aggregate of all Employment Liabilities for which Purchaser and Seller would be liable but for this proviso and but for Section 7.4(b) exceeds on a cumulative pre-tax basis an amount equal to \$40 million, in which case Seller's liability shall be for one hundred percent (100%) of any such excess over \$40 million; and provided further, however,

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that Seller shall not have any liability under this Section 7.4 to the extent the liability or obligation arises as a result of the operation of the business of the Division or the Acquired Assets after the Closing or any action taken or omitted to be taken by Purchaser or any of its affiliates.

(b) For purposes of this Section 7.4, the aggregate of all Employment Liabilities "on a cumulative pre-tax basis" is the actual amount of such aggregate without regard to any tax benefit relating to the accrual or payment of such aggregate; provided, however, that Seller's indemnification obligation with respect to the amount of any Employment Liability for which Seller is obligated to provide indemnification under this Section 7.4 shall be subject to the provisions of Section 7.6.

(c) Seller shall not consent to any equitable remedy to be imposed upon Purchaser without Purchaser's written consent, but Purchaser agrees to be bound to any equitable relief to be imposed upon Purchaser by the final unappealable order of any Governmental Entity (it being understood that expenses associated with the implementation of such equitable relief shall not be deemed to be an Employment Liability).

SECTION 7.5. Foreign Liabilities. (a) Seller hereby agrees to indemnify Purchaser and its affiliates and

their respective officers, directors, employees, stockholders, agents and representatives against, and agrees to hold them harmless from, any loss, liability, claim, damage or expense (including reasonable legal fees and expenses), as incurred (payable quarterly upon written request, with interest from the date which is 30 days from the date of such request to the date of actual payment, at the prime or base rate of Chase Manhattan Bank N.A. announced from time to time), to the extent arising from, relating to or otherwise in respect of the matters described in Schedule 7.5 (such matters, "Foreign Liabilities"); provided, however, that Seller shall not have any liability in

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respect of any Foreign Liabilities unless the aggregate of all Foreign Liabilities for which Seller would be liable but for this proviso and but for Section 7.5(b) exceeds on a cumulative pre-tax basis (net of any amounts recovered or recoverable by Purchaser under any claim or counter-claim described in Schedule 7.5) an amount equal to \$25 million and then only to the extent of such excess; provided further, however, that Seller shall not have

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any liability under this Section 7.5 to the extent the liability or obligation arises as a result of the operation of the business of the Division or the Acquired Assets after the

Closing or any action taken or omitted to be taken by Purchaser or any of its affiliates.

(b) For purposes of this Section 7.5, the aggregate of all Foreign Liabilities "on a cumulative pre-tax basis" is the actual amount of such aggregate without regard to any tax benefit relating to the accrual or payment of such aggregate; provided, however, that Seller's indemnification

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obligation with respect to the amount of any Foreign Liability for which Seller is obligated to provide indemnification under this Section 7.4 shall be subject to the provisions of Section 7.6.

SECTION 7.6. Losses Net of Insurance; No Consequential Damages.  
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Subject to Sections 7.3(b), 7.4(b) and 7.5(b), the amount of any loss, liability, claim, damage or expense for which indemnification is provided under this Article VII shall be net of any amounts recovered or recoverable by the indemnified party under insurance policies or Government Contracts (it being understood that if any amount is recovered or recoverable by Purchaser under any Government Contract, it shall not be subject to indemnification by Seller under this Article VII) with respect to such loss, liability, claim, damage or expense and shall be (i) increased to take account of any net tax cost incurred by the indemnified party arising from the receipt of indemnity



payments hereunder (grossed up for such increase) and (ii) reduced to take account of any net tax benefit realized by the indemnified party arising from the incurrence or payment of any such loss, liability, claim, damage or expense. An indemnified party shall be deemed to have realized a net tax cost or a net tax benefit to the extent that, and at such time as, the amount of taxes payable by such indemnified party is increased above or reduced below, as the case may be, the amount of taxes that such indemnified party would have been required to pay but for receipt or accrual of the indemnity payment or the incurrence or payment of such loss. Notwithstanding anything to the contrary contained herein, no indemnification shall be provided for under this Article VII in respect of any consequential damages.

SECTION 7.7. Termination of Indemnification. The obligations to

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indemnify and hold harmless any party, (x) pursuant to clause (i) of Section 7.1 and clause (i) of Section 7.2, shall terminate when the applicable representation or warranty terminates pursuant to Section 8.3; provided,

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however, that such obligations to indemnify and hold harmless shall not

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terminate with respect to any item as to which the Person to be indemnified shall have, before the expiration of the applicable period, previously made a claim by delivering a notice pursuant to Section 7.8

(stating in reasonable detail the basis of such claim) to the party to be providing the indemnification, (y) pursuant to the other clauses of Sections 7.1 and 7.2, and pursuant to Sections 7.4 and 7.5 shall not terminate and (z) pursuant to Section 7.3 shall terminate as provided therein.

SECTION 7.8. Procedures Relating to Third Party Claims (other than

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Tax Controversies, Pre-Closing Environmental Liabilities, Employment Liabilities

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and Foreign Liabilities). (a) In order for a Person (the "indemnified party"),

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to be entitled to any indemnification provided for under this Agreement in respect of, arising out of or involving a claim made by any Person against the indemnified party (other than a Tax Controversy a Pre-Closing Environmental Liability, an Employment Liability or a Foreign Liability, procedures for which are specified in Section 4.14(m) in the case of Tax Controversies and Section 7.10 in the case of such other matters (except, in the case of such other matters, to the extent Section 7.10 provides that this Section 7.8 shall govern)) (a "Third Party Claim"), such indemnified party must notify the indemnifying party in writing, and in reasonable detail, of the Third Party Claim within 10 business days after receipt by such indemnified party of written notice of the Third Party Claim; provided, however, that failure to give such

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notification shall not affect the indemnification provided hereunder except to the extent the indemnifying party shall have been actually prejudiced as a result of such failure (except that the indemnifying party shall not be liable for any expenses incurred during the period in which the indemnified party failed to give such notice). Thereafter, the indemnified party shall deliver to the indemnifying party, promptly after the indemnified party's receipt thereof, copies of all notices and documents (including court papers) received by the indemnified party relating to the Third Party Claim.

(b) If a Third Party Claim is made against an indemnified party, the indemnifying party will be entitled to participate in the defense thereof and, if it so chooses, to assume the defense thereof with counsel selected by the indemnifying party. Should the indemnifying party so elect to assume the defense of a Third Party Claim, the indemnifying party will not be liable to the indemnified party for any legal expenses subsequently incurred by the indemnified party in connection with the defense thereof. If the indemnifying party assumes such defense, the indemnified party shall have the right to participate in the defense thereof and to employ counsel, at its own expense, separate from the counsel employed by the indemnifying party, it

being understood that the indemnifying party shall control such defense. The indemnifying party shall be liable for the fees and expenses of counsel employed by the indemnified party for any period during which the indemnifying party has not assumed the defense thereof (other than during any period in which the indemnified party shall have failed to give notice of the Third Party Claim as provided above). If the indemnifying party chooses to defend or prosecute a Third Party Claim, all the parties hereto shall cooperate in the defense or prosecution thereof. Such cooperation shall include the retention and (upon the indemnifying party's request) the provision to the indemnifying party of records and information which are reasonably relevant to such Third Party Claim, and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. If the indemnifying party chooses to defend or prosecute any Third Party Claim, the indemnified party will agree to any settlement, compromise or discharge of such Third Party Claim which the indemnifying party may recommend and which by its terms obligates the indemnifying party to pay the full amount of the liability in connection with such Third Party Claim. Whether or not the indemnifying party shall have assumed the defense of a Third Party Claim, the indemnified

party shall not admit any liability with respect to, or settle, compromise or discharge, such Third Party Claim without the indemnifying party's prior written consent (which consent shall not be unreasonably withheld).

SECTION 7.9. Procedures Relating to Non-Third Party Claims. In order

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for an indemnified party to be entitled to any indemnification provided for under this Agreement in respect of a claim that does not involve a Third Party Claim or Tax Controversy or Pre-Closing Environmental Liability, Employment Liability or Foreign Liability being asserted against or sought to be collected from such indemnified party, the indemnified party shall deliver notice of such claim with reasonable promptness to the indemnifying party. The failure by any indemnified party so to notify the indemnifying party shall not relieve the indemnifying party from any liability which it may have to such indemnified party under this Agreement, except to the extent that the indemnifying party shall have been actually prejudiced by such failure. If the indemnifying party does not notify the indemnified party within 30 calendar days following its receipt of such notice that the indemnifying party disputes its liability to the indemnified party under this Agreement, such claim specified by the indemnified party in such notice shall be conclusively

deemed a liability of the indemnifying party under this Agreement and the indemnifying party shall pay the amount of such liability to the indemnified party on demand or, in the case of any notice in which the amount of the claim (or any portion thereof) is estimated, on such later date when the amount of such claim (or such portion thereof) becomes finally determined. If the indemnifying party has timely disputed its liability with respect to such claim, as provided above, the indemnifying party and the indemnified party shall proceed in good faith to negotiate a resolution of such dispute and, if not resolved through negotiations, such dispute shall be resolved by litigation in an appropriate court of competent jurisdiction.

SECTION 7.10. Procedures Relating Claims Constituting a Pre-Closing

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Environmental Liability, Employment Liability or Foreign Liability. (a) After

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the Closing, each of Purchaser and Seller shall notify (the "Notifying Party") the other in writing, and in reasonable detail, of any claim in respect of, arising out of or involving a claim made by any Person against the Notifying Party constituting a Pre-Closing Environmental Liability, an Employment Liability or a Foreign Liability (a "Shared Claim") (it being agreed that such notification obligation shall not apply to Herman or any Foreign Liability), within

10 business days after receipt by the Notifying Party of written notice of the Shared Claim; provided, however, that failure to give such notification shall

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not affect the indemnification provided hereunder except to the extent the other party shall have been actually prejudiced as a result of such failure (except that the other party shall not be liable for any expenses incurred during the period in which the Notifying Party failed to give such notice). Thereafter, each party shall deliver to the other party, promptly after such party's receipt thereof, copies of all notices and documents (including court papers) received by the such party relating to the Shared Claim.

(b) Subject to the provisions of Sections 7.3(e) and 7.3(f) with respect to Remedial Actions, during the period from the date hereof to the Closing Date, Purchaser and Seller shall negotiate in good faith and enter into one or more agreements governing defense of Shared Claims, it being agreed that any such agreement shall provide that:

(i) Purchaser and Seller will each be entitled to participate in the defense of any Shared Claim; provided, that if either Purchaser or Seller

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shall have one hundred percent of the liability in respect thereof pursuant to the second proviso to Section 7.3(a) or 7.4(a) or the first proviso to Section 7.5(a), as

applicable, such claim shall be treated as a Third Party Claim under Section 7.8;

(ii) Purchaser and Seller will each cooperate in the defense or prosecution of any Shared Claim, including the retention and (upon request) the provision to the requesting party of records and information which are reasonably relevant to such Shared Claim, and making employees (including any Transferred Employees familiar with such Shared Claim) available on a mutually convenient basis to provide additional information and explanation of any such records and information;

(iii) Purchaser and Seller will consult with each other and shall mutually agree on any significant strategic decisions in respect of any Shared Claim;

(iv) Purchaser and Seller will consult with each other and shall mutually agree on any settlement, compromise or discharge of any Shared Claim;

(v) neither Purchaser nor Seller shall admit any liability with respect to, or settle, compromise or discharge, any Shared Claim without the other party's prior written consent (which consent shall not be unreasonably withheld); and



(vi) appropriate and mutually agreeable arrangements with respect to day-to-day administration of any Shared Claim shall be provided for in such agreements; provided, that Purchaser and Seller agree that Seller shall be

entitled to control the day-to-day administration of Herman.

SECTION 7.11. Joint Defense Agreement. On the Closing Date, Seller

and Purchaser shall enter into a Joint Defense Agreement substantially in the form set forth in Exhibit F and on such additional terms as shall be mutually agreeable.

SECTION 7.12. Acknowledgment. The indemnities provided for in

Sections 7.3, 7.4 and 7.5 shall not be construed as an admission or conclusion, express or implied, as to liability or damages in respect of the subject-matter of such indemnities.

#### ARTICLE VIII

##### General Provisions

SECTION 8.1. Notices. All notices and other communications hereunder

shall be in writing (including telecopy or similar writing) and shall be sent, delivered or mailed, addressed or telecopied:

(a) if to Purchaser, to

Office of General Counsel  
Northrop Grumman Corporation

1840 Century Park East  
Los Angeles, CA 90067  
Telecopy No.: (310) 556-4556

(b) if to Seller, to

Office of General Counsel  
Westinghouse Electric Corporation  
Westinghouse Building  
11 Stanwix Street  
Pittsburgh, PA 15222  
Telecopy No.: (410) 993-2266

Each such notice or other communication shall be given (i) by hand delivery, (ii) by nationally recognized courier service or (iii) by telecopy, receipt confirmed. Each such notice or communication shall be effective (i) if delivered by hand or by nationally recognized courier service, when delivered at the address specified in this Section 8.1 (or in accordance with the latest unrevoked direction from such party) and (ii) if given by telecopy, when such telecopy is transmitted to the telecopy number specified in this Section 8.1 (or in accordance with the latest unrevoked direction from such party), and confirmation is received.

SECTION 8.2. Interpretation. When a reference is made in this

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Agreement to a Section, Schedule or Exhibit, such reference shall be to a Section of, or a Schedule or Exhibit to, this Agreement unless otherwise indicated. The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any

way the meaning or interpretation of this Agreement. For purposes of any indemnification provision in this Agreement, the word "expenses" shall mean out-of-pocket expenses, and shall not include any allocations of internal salaries and other expenses. Whenever the words "included", "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation". Whenever the word "material" is used in this Agreement (except when used with respect to the Purchaser), it shall mean material to the business or financial condition of the Division. Whenever the phrase "reasonably likely to be adversely determined" is used in this Agreement, it shall not require a determination that it is more likely than not. Whenever reference is made to "knowledge" of Seller, it shall mean the actual knowledge of the Persons named on Schedule 8.2. Any matter set forth in any Schedule shall be deemed set forth in all other Schedules to the extent relevant.

SECTION 8.3. Survival of Representations. The representations and

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warranties contained in this Agreement and in any document delivered in connection herewith shall survive the Closing solely for purposes of Article VII and shall terminate at the close of business one year following the Closing Date; provided, that the representations and  
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warranties contained in Section 3.1(p) shall terminate at the close of business three years following the Closing Date and the representations and warranties in Section 3.1(q) shall not survive the Closing.

SECTION 8.4. Severability. If any provision of this Agreement (or -----  
any portion thereof) or the application of any such provision (or any portion thereof) to any Person or circumstance shall be held invalid, illegal or unenforceable in any respect by a court of competent jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision hereof (or the remaining portion thereof) or the application of such provision to any other persons or circumstances.

SECTION 8.5. Counterparts. This Agreement may be executed in two or -----  
more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties and delivered (including by telecopy) to the other party.

SECTION 8.6. Entire Agreement; No Third Party Beneficiaries. This -----  
Agreement and the Confidentiality Agreement (a) constitute the entire agreement and supersede all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter

hereof and (b) except as provided in Section 1.3(a) and Article VII, are not intended to confer upon any Person other than the parties hereto (and the Selling Subsidiaries) and their successors and permitted assigns any rights or remedies hereunder.

SECTION 8.7. Governing Law. This Agreement shall be governed by, and

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construed in accordance with, the laws of the State of New York applicable to contracts made and to be performed entirely in the State of New York, regardless of the laws that might otherwise govern under applicable principles of conflicts of law.

SECTION 8.8. Consent to Jurisdiction. Each of Purchaser and Seller

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irrevocably submits to the non-exclusive jurisdiction of (a) the Supreme Court of the State of New York, New York County, and (b) the United States District Court for the Southern District of New York located in the Borough of Manhattan in the City of New York, for the purposes of any suit, action or other proceeding arising out of this Agreement or any transaction contemplated hereby. Each of Purchaser and Seller further agrees that service of any process, summons, notice or document by U.S. registered mail to such party's respective address set forth in Section 8.1 shall be effective service of process for any action, suit or proceeding in New York with respect to any matters

to which it has submitted to jurisdiction as set forth above in the immediately preceding sentence. Each of Purchaser and Seller irrevocably and unconditionally waives any objection to the laying of venue of any action, suit or proceeding arising out of this Agreement or the transactions contemplated hereby in (a) the Supreme Court of the State of New York, New York County, or (b) the United States District Court for the Southern District of New York, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

SECTION 8.9. Publicity. From the date of this Agreement through the

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Closing, neither Seller, on the one hand, nor Purchaser, on the other hand, shall issue or cause the publication of any press release or other public announcement with respect to the transactions contemplated by this Agreement without the consent of the other party, which consent shall not be unreasonably withheld, except as such release or announcement may be required by law or the rules or regulations of a national securities exchange in the United States, in which case the party required to make the release or announcement shall allow the other party

reasonable time to comment on such release or announcement in advance of its issuance.

SECTION 8.10. Assignment. Neither this Agreement nor any of the

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rights, interests or obligations hereunder (including any rights, interests or obligations under Article VII) shall be assigned by any party hereto without the prior written consent of the other party, except that Purchaser may assign to any wholly owned subsidiary of Purchaser the right to acquire part or all of the business and assets of the Division hereunder; provided, however, that any such

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assignment shall not release Purchaser from any obligation or liability hereunder (including any right or obligation under Article VII). Subject to the preceding

sentence, this Agreement will be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

IN WITNESS WHEREOF, Seller and Purchaser have caused this Agreement to be signed by their respective officers thereunto duly authorized, all as of the date first written above.

WESTINGHOUSE ELECTRIC CORPORATION,

by /s/ Fredric G. Reynolds

\_\_\_\_\_  
Name: Fredric G. Reynolds  
Title: Executive Vice President,  
Chief Financial Officer

NORTHROP GRUMMAN CORPORATION,

by /s/ Albert Myers

\_\_\_\_\_  
Name: Albert Myers  
Title: Corp. V.P. & Treasurer



Westinghouse Electric Corporation  
Westinghouse Building  
11 Stanwix Street  
Pittsburgh, Pa. 15222

February 28, 1996

Northrop Grumman Corporation  
1840 Century Park East  
Los Angeles, Calif. 90067

Ladies and Gentlemen:

Reference is made to the Asset Purchase Agreement dated as of January 3, 1996 (the "Asset Purchase Agreement") between WESTINGHOUSE ELECTRIC CORPORATION, a Pennsylvania corporation ("Seller"), and NORTHROP GRUMMAN CORPORATION, a Delaware Corporation ("Purchaser"). Seller and Purchaser (collectively, the "Parties") agree that, due to circumstances not foreseen at the time that the Asset Purchase Agreement was executed, certain provisions of the Asset Purchase Agreement require clarification or modification to reflect these unforeseen circumstances. Capitalized terms used herein without definition shall have the respective meanings set forth in the Asset Purchase Agreement.

Each of the Undersigned hereby agree that the Asset Purchase Agreement shall be construed, interpreted and deemed modified as follows:

A. DISABLED EMPLOYEES.  
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The Parties desire to clarify their respective responsibilities with respect to employees of the Division who are on disability leave. Accordingly,

1. The second sentence of Section 4.5(a)(i) of the Asset Purchase Agreement shall be deemed modified, in its entirety, to read as follows:

"Purchaser shall also honor any legal obligation of Sellers or Purchaser to re-employ any Division Employee and Center Employee who is not actively at work on the Closing Date due to leave of absence (not to include disability leave), military leave or layoff with recall rights (collectively, "Inactive Employees")."

2. Section 4.5(a)(i) of the Asset Purchase Agreement shall be deemed modified by adding the following provision at the end thereof, to read as follows:

"Any Division Employee or Center Employee who is on disability leave on the Closing Date shall first be offered the opportunity to become a Transferred Employee after the Closing Date, on the day that such Employee's disability leave terminates if such termination of disability leave occurs during the period of time the Purchaser must honor any legal obligation of Sellers or Purchaser to re-employ Division Employees and Center Employees who are not actively at work on the Closing Date. If such Employee's disability leave does not terminate within such time period, such Employee will remain an Employee of Sellers and not become a Transferred Employee."

3. Section 4.5(d)(iii)(B) of the Asset Purchase Agreement shall be deemed modified, in its entirety, to read as follows:

"(B) Purchaser shall be responsible for all disability income benefits payable in respect of periods on or after the Closing Date for Transferred Employees who become disabled on or after the Closing Date. Seller shall be responsible for all disability income benefits until a Division or Center Employee becomes a Transferred Employee pursuant to Section 4.5(a)(i)."

B. 401(K) PLAN.  
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The Parties have determined (i) to have assets transferred from the Westinghouse Savings Program to Purchaser's 401(k) Plan in kind, rather than as contemplated by the Asset Purchase Agreement and (ii) to have Transferred Employees' account balances as of the Closing Date continue to be held under the Westinghouse Savings Program for a period of time after the Closing Date. Accordingly,

1. The second paragraph of Section 4.5(d)(ii) of the Asset Purchase Agreement shall be deemed modified, in its entirety, to read as follows:

"Upon receipt by Purchaser of a favorable determination letter to the effect that Purchaser's 401(k) Plan is qualified under Section 401(a) of the Code (or an opinion of Purchaser's counsel, reasonably satisfactory to Seller, to such effect), Sellers shall cause to be transferred from the Westinghouse Savings Program to Purchaser's 401(k) Plan assets having a fair market value or (in the case of the Fixed Income Fund, the book value) equal to the aggregate value of the account balances of the Transferred Employees in the Westinghouse Savings Program as of the date of transfer, and shall also transfer all qualified domestic relations orders, within the meaning of Section 414(p) of the Code. With respect to Division Employees and Center Employees who are on disability leave as of the date of transfer described in the preceding sentence, additional transfers from the Westinghouse Savings Program to the Purchaser's 401(k) Plan shall be made in accordance with the preceding sentence as soon as practicable following the respective dates on which such employees become Transferred Employees. Purchaser's 401(k) Plan shall provide for the receipt of such transfers. The transfers described in the preceding sentences of this paragraph shall be in (i) shares and partial shares of common stock of Seller to the extent of shares in the Westinghouse Common Stock Fund of the Westinghouse Savings Program applicable to Transferred Employees, (ii) a portion of the investments in the Fixed Income Fund of the Westinghouse Savings Program which replicate as closely as possible the yield and market value of that Fund and in shares and partial shares of each other mutual fund provided under the Westinghouse Savings Program, in each case to the extent of those funds

applicable to the Transferred Employees' accounts and (iii) the balance in notes evidencing loans to Transferred Employees from their account balances. Purchaser's 401(k) Plan shall maintain a Westinghouse common stock fund, in accordance with applicable law, for Transferred Employees who so elect, for a period of not less than five years following the Closing Date."

2. Section 4.5(d)(ii) shall be deemed further modified to add the following at the end thereof:

"Individuals who become Transferred Employees on the Closing, and individuals who become Transferred Employees after Closing and before December 31, 1996 (for example, because of a return from a disability leave of absence and subsequent employment by the Purchaser), shall be entitled to full and continuing access to all of the rights, benefits, features and services that they had as employees of Seller prior to Closing, with respect to participation in the Westinghouse Savings Program, but only with respect to their account balances as of February 29, 1996 (and any earnings or losses thereon after such date). Such full access shall continue, and the transfer of account balances provided for in the preceding paragraph shall occur, no later than December 31, 1996. The access described in this paragraph shall include, without limitation, the following services and features, each to be permitted or administered in accordance with the existing terms of the Westinghouse Savings Program (on the same basis provided from time to time to other participants in the Westinghouse Savings Program):

1. In-service withdrawals;
2. Termination distributions, rollovers and trust-to-trust transfers;
3. Loan requests and processing;
4. Loan repayments via payroll deduction, or via manual check for participants on leave;
5. Dividend reinvestment in Westinghouse Stock Fund;
6. Daily fund transfers among all investment funds;
7. Participant statements as provided in the normal course;
8. Preparation of applicable Form 1099s, and tax withholdings and deposits;
9. Qualified domestic relations order (QDRO) administration to be provided at cost;
10. Tax lien administration;
11. Voting and tendering of Westinghouse stock in the Westinghouse Stock Fund;
12. Investment communications (as provided accompanying the participant statements);
13. All transactions or services, including any corrective action taken in the normal course, otherwise provided to active participants in the Westinghouse Savings Program either through the Benefits Access Center or the Bankers Trust Service Center (including the Bankers Trust voice response system), but only with respect to the account balances as of February 29, 1996 (and

any earnings or losses thereon after such date), of those participants who become Transferred Employees at or after Closing;

14. Forfeitures shall accrue to the benefit of Purchaser to the extent permitted by applicable law."

C. REDUCTIONS-IN-FORCE.

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After the execution of the Asset Purchase Agreement, the Parties concluded that several unanticipated employee transactions, specifically reductions in force, should be initiated prior to the Closing Date presently set for March 1, 1996. The Parties also recognized that, although these transactions are being initiated prior to the Closing Date, the transactions would not be completed until after the Closing Date due to certain legal restrictions. Because the reductions in force would straddle the Closing Date and were not contemplated nor set forth in the Asset Purchase Agreement, the Parties had to agree to the terms and conditions of the reductions in force before such actions could commence. The Parties have, in fact, agreed to the terms and conditions of the reductions in force and wish to reduce such terms and conditions to writing and deem the Asset Purchase Agreement modified to reflect such agreement. Pursuant to such agreement between the Parties, two reductions in force have been announced and initiated. One reduction in force involves the Baltimore location within the Division; it was announced, and the employees affected were notified, on January 29, 1996 and involves approximately 200 employees. The other reduction in force involves the Naval Systems group within the Division; it was announced, and the employees affected were notified, on February 1, 1996 and involves approximately 60 employees. Accordingly,

1. Section 4.5 of the Asset Purchase Agreement is hereby deemed modified by adding a new Subsection 4.5(1) at the end thereof, to read as follows:

"(1) Reductions in Force. Notwithstanding the foregoing provisions of

-----

this Section 4.5, Seller and Purchaser agree that the following terms and conditions will govern any reductions in force which are initiated after the signature date of the Agreement (January 3, 1996) and before the Closing Date;

- (i) The employee benefits which Purchaser will provide to the affected Division Employees ("RIF Employees") will be identical to the employee benefits which would have been provided by Seller had the

termination of employment occurred on the date of the announcement/notification of the reduction in force;

- (ii) Purchaser shall be solely responsible for the cost of all benefits provided to the RIF Employees;
- (iii) The RIF Employees shall be treated as Transferred Employees for all purposes pursuant to this Section 4.5 even if the Closing Date occurs after March 1, 1996 and the actual termination of employment occurs before the Closing Date; and
- (iv) To the extent consistent with applicable law, the 414(1) Amount described in Section 4.5(d)(i) above shall be computed on the basis that the Transferred Benefits obligation includes all liabilities associated with the RIF Employees regardless of when they terminate employment.

\* \* \*

This Letter Agreement is not intended to confer upon any person other than the Parties and their successors and permitted assigns any rights or remedies hereunder.

From time to time upon request and without further consideration, each of the Parties hereto shall, and shall cause their subsidiaries and affiliates to, execute, deliver and acknowledge any all such further documents and instruments and do such further acts as any other of the Parties hereto may reasonably require to evidence or effectuate more effectively the terms of and intent of the Parties contemplated by this Letter Agreement.

This Letter Agreement, which may be executed in two or more counterparts, each of which shall be considered one and the same agreement, shall be governed by, and construed in accordance with, the laws of the State

of New York applicable to contracts made and to be performed entirely in the State of New York, regardless of the laws that might otherwise govern under applicable principles of conflicts of law.

Please acknowledge your agreement with the foregoing by signing in the space provided below.

Very truly yours,

WESTINGHOUSE ELECTRIC CORPORATION

By: /s/ William F. Stoll

-----  
Name: William F. Stoll

Title: Vice President

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

NORTHROP GRUMMAN CORPORATION

By: /s/ Richard B. Waugh

-----  
Name: Richard B. Waugh

Title: Corporate Vice President

Westinghouse Electric Corporation  
Westinghouse Building  
11 Stanwix Street  
Pittsburgh, PA 15222

February 29, 1996

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

Ladies and Gentlemen:

Reference is made to the Asset Purchase Agreement dated as of January 3, 1996 (the "Asset Purchase Agreement") between Westinghouse Electric Corporation ("Seller") and Northrop Grumman Corporation ("Purchaser"). Capitalized terms used herein without definition shall have the respective meanings set forth in the Asset Purchase Agreement. Each of the undersigned hereby agree to the following with respect to the Asset Purchase Agreement:

1. Determinations. The determinations pursuant to Section 2.3(a)

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of the Asset Purchase Agreement of the Closing Balance Sheet, the Closing Statement of Working Capital, the Restructuring Amount and the Norden Amount shall each be as of 11:59 p.m. on February 29, 1996, rather than the close of business on the Closing Date. References to the Closing Date in Sections 2.3(d) and (e) of the Asset Purchase Agreement shall be deemed to be references to 11:59 p.m. on February 29, 1996. Seller agrees that pursuant to Section 1.2(a) of the Asset Purchase Agreement all assets set forth on the Closing Balance Sheet shall be Acquired Assets, including any proceeds of such assets received between 11:59 p.m. on February 29, 1996 and the Closing.

2. Allocations. The Allocation Statement referenced in Section

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4.14(a) of the Asset Purchase Agreement shall be agreed upon between Purchaser and Seller within 60 days following the Closing.

3. Shared Claims; Insurance Administration. (a) To the extent

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necessary or advisable following the Closing, Purchaser and Seller shall negotiate in good faith and enter into one or more agreements governing defense of Shared Claims on the terms set forth in Section 7.10(b) of the Asset Purchase Agreement and such additional terms as shall be mutually agreeable.

(b) Purchaser and Seller have agreed to waive the provisions of Section 4.19 of the Asset Purchase Agreement to the extent relating to entering into an Insurance Administration Agreement prior to Closing, it being agreed that the remainder of the purposes and intent of such Section 4.19 shall remain in full force and effect.

4.1 Delayed Transfer. (a) Notwithstanding the provisions of

-----  
Articles I and II of the Asset Purchase Agreement, the Acquired Assets located at or constituting the Premises set forth on Schedule A attached hereto (such Premises, the "Delayed Premises" and such Acquired Assets, the "Delayed Assets") shall not be sold, assigned, transferred, conveyed or delivered to Purchaser on the Closing Date. The Delayed Assets shall be sold, assigned, transferred, conveyed and delivered to Purchaser (or its designee(s)) on such date or dates as shall be no earlier than 30 days from the date of written notice from Purchaser to Seller that Purchaser (or its designee) is legally able, under applicable law,





to accept Sellers' right, title and interest in, to and under the Delayed Assets (any such date, a "Delayed Asset Transfer Date"). Purchaser shall be entitled to deliver separate notices for each of the locations listed on Schedule A in which event there shall be a separate Delayed Asset Transfer Date for each such location. Purchaser agrees to deliver any and all such notices no later than 120 days following the Closing Date. In the event that Purchaser shall fail to deliver any such notice within such time period, Sellers shall have no further obligations to Purchaser in respect of the Delayed Assets which are the subject of such failure and Sellers shall be entitled to dispose of any such Delayed Assets in any manner whatsoever.

(b) Notwithstanding the provisions of Section 4.5 of the Asset Purchase Agreement to the contrary, Division Employees whose principal place of employment is at one of the Delayed Premises ("Delayed Transferred Employees") will continue on Seller's (or a Subsidiary's) payroll and will continue to participate in each of Seller's (or the applicable Subsidiary's) employee benefit plans in which they are currently participating until the applicable Delayed Asset Transfer Date. Purchaser will offer employment with comparable wages and benefits on the applicable Delayed Asset Transfer Date to each such Delayed Transferred Employee then in employment with Sellers, and on and as of the applicable Delayed Asset Transfer Date each such Delayed Transferred Employee will become a Transferred Employee for all purposes of the Asset Purchase Agreement. Purchaser will promptly reimburse Seller for 100% of the payroll, benefits (including statutory benefits, severance and other termination benefits) and other costs and expenses directly or indirectly relating to Delayed Transferred Employees within 30 days following receipt of each written notification from Seller of such payroll, benefits and other costs and expenses.

(c) Notwithstanding the provisions of Articles I and II of the Asset Purchase Agreement, the Acquired Assets constituting the Investments of Sellers in Westinghouse Gulf, West\*Quest Limited Partnership and West\*Quest II Limited Partnership (such Acquired Assets, the "Delayed Investments") shall not be sold, assigned, transferred, conveyed or delivered to Purchaser on the Closing Date. The Delayed Investments shall be sold, assigned, transferred, conveyed and delivered to Purchaser (or its designee(s)) upon receipt of any consents necessary as a condition to such sale, assignment, transfer, conveyance or delivery.

4.2 Operation of Delayed Assets. (a) With respect to the Delayed

-----  
Assets at each of the locations listed on Schedule A, until the applicable Delayed Asset Transfer Date (or, the termination of Seller's obligations pursuant to the last sentence of Section 4.1(a)), Seller or one or more of its Subsidiaries shall continue to conduct the business of the Division at the Delayed Premises as agent of, and on behalf of, and at the expense of, Purchaser, pursuant to the Transitional Services Agreement referenced in Section 4.16(a) of the Asset Purchase Agreement; provided, that the

-----  
Delayed Transferred Employees shall be under the supervision and control of Purchaser.

(b) Seller and its Subsidiaries and affiliates shall not be liable, whether in contract, in tort (including, without limitation, negligence and strict liability) or otherwise, for any direct, special, indirect, incidental, consequential or other damages whatsoever which in any way arise out of, relate to, or are a consequence of, its performance or nonperformance hereunder, or the ownership or holding of the Delayed Assets, the occupancy of the Delayed Premises, the employment of (and severance and other termination benefit obligations in respect of) the Delayed Transferred Employees or the operation of the business of the Division at the Delayed Premises after the Closing, including, without limitation, loss of profits, business interruptions and claims of customers.

(c) Purchaser hereby releases Sellers, their affiliates and their respective officers, directors, employees, stockholders, agents and representatives (the "Seller Indemnitees") and agrees to indemnify the Seller Indemnitees against and hold them harmless from, any loss, liability, claim, damage or expense (including, without limitation, reasonable legal fees and expenses) as incurred, arising from, relating to or otherwise in respect of (A) the delayed transfer pursuant to Section 4.1 hereof and (B) the occupancy of the Delayed Premises, the employment of (and severance and other termination benefit obligations in respect of) the Delayed Transferred Employees and the operation of the business of the Division at the Delayed Premises after the Closing pursuant to this Section 4.2 (including the acts or omissions of any employee at the Delayed Premises).

5. Center Employees. Purchaser and Seller hereby agree that  
-----  
Schedule B attached hereto sets forth the name of each Center Employee.

6. Limited Use of Westinghouse Name. Notwithstanding anything to  
-----  
the contrary in the Asset Purchase Agreement, from and after the Closing:

(a) Purchaser shall be permitted to use Seller's name and logo (including, without limitation, on invoices and letterhead), as reasonably necessary, with respect to any Contract included in the Acquired Assets until such time as all novations, consents, approvals or waivers contemplated by Section 4.4 of the Asset Purchase Agreement have been obtained;

(b) Purchaser may use, or cause to be used, on business stationary of the Division and business cards of employees of the Division the phrase "... acquired from, and formerly known as, the Westinghouse Electronic Systems Group," until December 31, 1996; and

(c) Seller hereby assigns to Purchaser those CAGE Codes currently used by the Division.

7. Schedule 4.14. Purchaser and Seller hereby agree that a revised  
-----  
Schedule 4.14 to the Asset Purchase Agreement, replacing the existing Schedule 4.14, is attached hereto.

8. Clarification of Excluded Assets. Purchaser and Seller hereby  
-----  
agree that Micros Systems shall be an Excluded Asset and shall be

deemed included on Schedule 1.2(b) to the Asset Purchase Agreement.

9. Further Assurances. From time to time upon the request of either  
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party, each of Purchaser and Seller shall, and shall cause their respective  
Subsidiaries and affiliates to, execute, deliver and acknowledge any and  
all such further documents and instruments and do such further acts and  
things as the other party hereto may reasonably request to evidence or  
effectuate more effectively the terms of and intent of the parties  
contemplated by this Letter Agreement.

This Letter Agreement, which may be executed in two or more counterparts, all of which shall be considered one and the same agreement, shall be governed by, and construed in accordance with, the laws of the State of New York applicable to contracts made and to be performed entirely in the State of New York, regardless of the laws that might otherwise govern under applicable principles of conflicts of law.

Please acknowledge your agreement with the foregoing by signing in the space provided below.

Very truly yours,

WESTINGHOUSE ELECTRIC CORPORATION,

By: /s/ William F. Stoll

-----  
Name: William F. Stoll  
Title: Vice President

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

NORTHROP GRUMMAN CORPORATION,

By: /s/ Richard B. Waugh

-----  
Name: Richard B. Waugh  
Title: Corporate Vice President

THE FOLLOWING SCHEDULES TO THE LETTER AGREEMENT DATED FEBRUARY 29, 1996 HAVE BEEN OMITTED PURSUANT TO RULE 6.01(B)(2) OF REGULATION S-K. SUCH SCHEDULES ARE DESCRIBED IN THE LETTER AGREEMENT.

SCHEDULES TO THE LETTER AGREEMENT

A Premises  
B Personnel Included in Sale  
4.14 Sold Assets

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NORTHROP GRUMMAN CORPORATION

SECOND AMENDED AND RESTATED CREDIT AGREEMENT

Dated as of April 15, 1994

Amended and Restated as of March 1, 1996

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\$3,800,000,000

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BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION,  
as Documentation Agent

CHEMICAL SECURITIES INC.,  
as Syndication Agent

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

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the Swingline Bank
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Credit Agreement

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SECOND AMENDED AND RESTATED CREDIT AGREEMENT dated as of April 15, 1994, as amended and restated as of March 1, 1996, among: NORTHROP GRUMMAN 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 a Swingline ----- Bank under Section 2.11 hereof (in such capacity, together with its successors and permitted assigns in such capacity, the "Swingline Bank") and as ----- administrative agent for the Banks and the Swingline Bank (in such capacity, together with its successors in such capacity, the "Administrative Agent"). -----

The Company, certain of the Banks and the Administrative Agent are party to the Credit Agreement dated as of April 15, 1994, as amended and restated as of April 18, 1994, as further amended by Amendment No. 1 dated as of May 11, 1994 and Amendment No. 2 dated as of December 9, 1994 (as in effect immediately prior to the Amendment Effective Date referred to below, the "Existing Credit Agreement"). -----

The Company has requested, and the Banks and the Administrative Agent are willing, to amend and restate the Existing Credit Agreement to, among other things, increase the aggregate amount of the Commitments, add certain Banks, amend certain of the covenants and add an additional term loan facility, all on the terms and conditions hereof.

Accordingly, the parties hereto agree to amend and restate the Existing Credit Agreement so that, as amended and restated, it reads in its entirety as herein provided.

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): -----

"Acquired Business" shall mean the Acquired Assets and the Assumed ----- Liabilities, as such terms are defined in the Asset Purchase Agreement.

"Acquisition" shall mean the acquisition directly or indirectly by the ----- Company of the Acquired Business pursuant to the Asset Purchase Agreement.

Credit Agreement -----

"Amendment Effective Date" shall mean the date on which the conditions  
-----  
precedent set forth in Section 6.01 hereof are satisfied.

"Applicable Facility Fee Rate" with respect to the Revolving Credit  
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Commitments shall mean: (a) during the period from the Restatement Date to but excluding the first Business Day after the date on which the Administrative Agent shall have received (i) the financial statements described in Section 8.01(b) hereof as at and for the Quarterly Period ending on March 31, 1996 and (ii) the accompanying certificate required to be delivered under Section 8.01(h) hereof, 0.375% and (b) thereafter, during the period from and including the first Business Day after the date on which the Administrative Agent shall have received (i) the financial statements described in Section 8.01 hereof as at and for the fiscal period ending on the preceding Fiscal Date and (ii) the accompanying certificate required to be delivered under Section 8.01(h) hereof to but excluding the first Business Day after the date on which the Administrative Agent shall have received (x) the financial statements described in Section 8.01 hereof as at and for the fiscal period ending on the next Fiscal Date and (y) the accompanying certificate required to be delivered under Section 8.01(h) hereof, 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 under Section 8.01(h) hereof for such preceding Fiscal Date (provided, further, that if the Company shall fail  
-----  
timely to deliver such financial statements or certificate, the "Applicable Facility Fee Rate" with respect to the Revolving Credit Commitments during the period from the date by which such financial statements and certificate were required to be delivered to but excluding the first Business Day after the date on which the Administrative Agent receives such financial statements and certificate, shall be determined as if the relevant Leverage Ratio were greater than 75%):

Credit Agreement  
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Range of Leverage Ratio -----	Applicable Facility Fee Rate -----
Less than 50%	.1500%
Greater than or equal to 50% but less than 55%	.1875%
Greater than or equal to 55% but less than 60%	.2000%
Greater than or equal to 60% but less than 65%	.2250%
Greater than or equal to 65% but less than 70%	.2750%
Greater than or equal to 70% but less than 75%	.3250%
Greater than or equal to 75%	.3750%

Notwithstanding the foregoing, if at any time either Rating Level 1 or Rating Level 2 is in effect, the Applicable Facility Fee Rate with respect to the Revolving Credit Commitments shall be the respective rates set forth below opposite the applicable Rating Level:

Applicable Rating Level -----	Facility Fee Rate -----
Rating Level 1	.1500%
Rating Level 2	.2000%

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

Credit Agreement  
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"Applicable Margin" for each Type of Syndicated Loan shall be as

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follows: (a) during the period from the Restatement Date to but excluding the first Business Day after the date on which the Administrative Agent shall have received (i) the financial statements described in Section 8.01(b) hereof as at and for the Quarterly Period ending on March 31, 1996 and (ii) the accompanying certificate required to be delivered under Section 8.01(h) hereof, the Applicable Margin for Revolving Loans that are Base Rate Loans shall be 0.125% and for Revolving Loans that are Eurodollar Loans shall be 1.375% and the Applicable Margin for Term Loans that are Base Rate Loans shall be 0.50% and for Term Loans that are Eurodollar Loans shall be 1.750% and (b) thereafter, during the period from and including the first Business Day after the date on which the Administrative Agent shall have received (i) the financial statements described in Section 8.01 hereof as at and for the fiscal period ending on the preceding Fiscal Date and (ii) the accompanying certificate required to be delivered under Section 8.01(h) hereof to but excluding the first Business Day after the date on which the Administrative Agent shall have received (x) the financial statements described in Section 8.01 hereof as at and for the fiscal period ending on the next Fiscal Date and (y) the accompanying certificate required to be delivered under Section 8.01(h) hereof, the respective rates set forth opposite the range of the Leverage Ratio set forth below which encompasses the Leverage Ratio set forth in such certificate delivered under Section 8.01(h) hereof for such preceding Fiscal Date (provided, further, that if the Company shall fail timely to

-----  
deliver such financial statements or certificate, the "Applicable Margin" for each Type of Syndicated Loan during the period from the date by which such financial statements and certificate were required to be delivered to but excluding the first Business Day after the date on which the Administrative Agent receives such financial statements and certificate, shall be determined as if the relevant Leverage Ratio were greater than 75%):

Range of Leverage Ratio	Term Loans		Revolving Credit Loans	
	Base Rate Loans	Eurodollar Loans	Base Loans	Eurodollar Loans
Less than 50%	0.0%	.5000%	0.0%	.3500%
Greater than or equal to 50% but less than 55%	0.0%	.6250%	0.0%	.4375%
Greater than or equal				

Credit Agreement

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to 55% but less than 60%	0.0%	.7500%	0.0%	.5500%
Greater than or equal to 60% but less than 65%	0.0%	1.0000%	0.0%	.7750%
Greater than or equal to 65% but less than 70%	0.0%	1.2500%	0.0%	.9750%
Greater than or equal to 70% but less than 75%	0.25%	1.5000%	0.0%	1.1750%
Greater than or equal to 75%	0.50%	1.7500%	0.125%	1.3750%

Notwithstanding the foregoing, if at any time either Rating Level 1 or Rating Level 2 is in effect, the Applicable Margin for each Type of Syndicated Loan shall be the respective rates set forth below opposite the applicable Rating Level:

Applicable Rating Level -----	Term Loans -----		Revolving Credit Loans -----	
	Base Rate Loans -----	Eurodollar Loans -----	Base Rate Loans -----	Eurodollar Loans -----
Rating Level 1	0.0%	.5000%	0.0%	.3500%
Rating Level 2	0.0%	.6250%	0.0%	.4250%

provided that, if (x) the ratings by S&P and Moody's are split by two or  
-----  
more rating levels or (y) either S&P or Moody's ceases to rate the Company Senior Long-Term Debt and within 60 days after such cessation there is no Substitute Rating therefor, a premium of .1250% will be added to the Applicable Margins for Eurodollar Loans set forth above for the higher of the two ratings (or the one rating in the case of a failure to rate).

"Asset Purchase Agreement" shall mean the Asset Purchase Agreement  
-----  
dated as of January 3, 1996, between the Seller and the Company and all Exhibits and Schedules thereto, including, without limitation, the Disclosure Schedule, as modified and supplemented and in effect from time to time.

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

"Base Rate" shall mean, with respect to any Base Rate Loan, for any  
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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

Credit Agreement  
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Rate shall take effect at the time of such change in the Base Rate.

"Base Rate Loans" shall mean (a) Syndicated Loans which bear interest  
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at rates based upon the Base Rate and (b) Swingline Loans.

"Basle Accord" shall mean the proposals for risk-based capital  
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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 (a) on which commercial banks are  
-----  
not authorized or required to close in New York City and (b) where such  
term is used in the definition of "Quarterly Date" in this Section 1.01 and  
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, a Conversion of or into, or an 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, Conversion 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.

"Capital Expenditures" shall mean, for any period, expenditures  
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(including, without limitation, the aggregate amount of Capital Lease  
Obligations incurred during such period) made by the Company or any of the  
Subsidiaries to acquire or construct fixed assets, plant and equipment  
(including renewals, improvements and replacements, but excluding repairs)  
during such period computed in accordance with GAAP.

"Capital Lease Obligations" shall mean, for any Person, all  
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obligations of such Person to pay rent or other amounts under a lease of  
(or other agreement conveying the right to use) Property to the extent such  
obligations are required to be classified and accounted for as a capital  
lease on a balance sheet of such Person under GAAP, and, for purposes of  
this Agreement, the amount of such obligations shall be the capitalized  
amount thereof, determined in accordance with GAAP.

"Cash Flow" shall mean, for any period, the sum, for the Company and  
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its Subsidiaries (determined on a

Credit Agreement  
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consolidated basis without duplication in accordance with GAAP), of the following: (a) operating margin (net sales minus cost of sales) for such period plus (b) depreciation, amortization and any other non-cash expense

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items (to the extent deducted in determining operating margin) for such period minus (c) any non-cash income items (to the extent included in  
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determining operating margin) for such period.

"Chase" shall mean The Chase Manhattan Bank (National Association),  
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and its successors.

"CIBC Receivables Sale Agreements" shall mean, collectively, (a) the  
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Receivables Sale Agreement dated December 15, 1995 among the Company, as a seller and as collection agent, Vought Aircraft Company, as a seller, Asset Securitization Cooperative Corporation, as purchaser, and Canadian Imperial Bank of Commerce ("CIBC"), as servicing agent, and (b) the Receivables Sale  
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Agreement dated as of December 15, 1995 among the Company, as a seller and as collection agent, Vought Aircraft Company, as a seller, and CIBC, as purchaser, in each case as in effect on the Amendment Effective Date, and as modified and supplemented thereafter as permitted by Section 8.20 hereof.

"Class" shall have the meaning assigned to such term in Section 1.03  
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hereof.

"Code" shall mean the Internal Revenue Code of 1986, as amended.  
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"Commitments" shall mean the Revolving Credit Commitments and the Term  
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Loan Commitments.

"Company Senior Long-Term Debt" shall mean Indebtedness of the Company  
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that (a) is not contractually subordinated to any other Indebtedness of the Company, (b) is considered under GAAP to be "long-term" debt, (c) is not secured by a Lien on any Property of the Company or any of the Subsidiaries or, if secured, is secured only by a pledge of the capital stock of one or more Subsidiaries on a pari passu basis with the Indebtedness of the  
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Company hereunder and (d) is not Guaranteed by a Person or, if Guaranteed, is Guaranteed only by one or more Subsidiaries on a pari passu basis with  
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the Indebtedness of the Company hereunder.

"Competitive Bid Borrowing" shall have the meaning assigned to such  
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term in Section 2.03(b) hereof.

"Competitive Bid Loan Limit" shall have the meaning assigned to such  
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term in Section 2.03(c) hereof.

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

"Competitive Bid Margin" shall have the meaning assigned to such term  
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in Section 2.03(c)(ii)(C) hereof.

"Competitive Bid Notes" shall mean the promissory notes provided for  
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by Section 2.08(b) hereof and all promissory notes delivered in  
substitution or exchange therefor, in each case as the same shall be  
modified and supplemented and in effect from time to time.

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

"Competitive Bid Quote Request" shall have the meaning assigned to  
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such term in Section 2.03(b) hereof.

"Competitive Bid Rate" shall have the meaning assigned to such term in  
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Section 2.03(c)(ii)(D) hereof.

"Consolidated Net Income Available for Restricted Payments" shall mean  
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an amount equal to (i) the sum of \$225,000,000 plus 80% (or minus 100% in  
case of consolidated net loss) of Net Income for the period (taken as one  
accounting period) commencing January 1, 1996 and terminating on the Fiscal  
Date immediately preceding the date of any proposed Restricted Payment,  
less (ii) the sum of (A) the aggregate amount of all dividends (except  
stock dividends) and other distributions paid or declared by the Company on  
any class of its stock on and after January 1, 1996 and (B) the excess (if  
any) of the aggregate amount expended, directly or indirectly, on and after  
January 1, 1996 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 Available Proceeds of the sale of any shares of its stock.

"Consolidated Shareholders' Equity" shall mean the amount of  
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shareholders' equity of the Company and the Subsidiaries (determined on a  
consolidated basis without duplication in accordance with GAAP) plus  
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\$196,000,000 (being the after-tax non-cash charges to income on or before  
December 31, 1995 in connection with (i) the Company's early retirement  
incentive program implemented on October 1, 1994 and (ii) the sale of plant  
and equipment).

"Consolidating Financial Statements" shall mean, for any fiscal  
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period, the unaudited consolidating statements of financial position and  
income for the corporate office and

Credit Agreement  
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principal operating centers of the Company and the Subsidiaries substantially in the form of the consolidating financial statements for such corporate office and principal operating centers as at and for the Company's fiscal year ended December 31, 1995 heretofore delivered to the Banks.

"Continue", "Continuation" and "Continued" shall refer to the  
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continuation pursuant to Section 2.09 hereof of a Eurodollar Loan as a Eurodollar Loan from one Interest Period to the next Interest Period.

"Convert", "Conversion" and "Converted" shall refer to a conversion  
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pursuant to Section 2.09 hereof of one Type of Syndicated Loans into another Type of Syndicated Loans, which may be accompanied by the transfer by a Bank (at its sole discretion) of a Loan from one Applicable Lending Office to another.

"Credit Documents" shall mean this Agreement and the Notes.  
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"Debt Service" shall mean, for any period, the sum, for the Company  
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and the Subsidiaries (determined on a consolidated basis without duplication in accordance with GAAP), of the following: (a) all regularly scheduled payments of principal of Indebtedness (including, without limitation, the principal component of any payments in respect of Capital Lease Obligations but excluding amounts repaid under Working Capital Credit Lines) made during such period plus (b) all Interest Expense for such  
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period.

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

"Disclosure Schedule" shall mean the Disclosure Schedule to the Asset  
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Purchase Agreement, dated as of January 3, 1996, as modified and supplemented and in effect from time to time.

"Disposition" shall mean any sale, assignment, transfer or other  
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disposition of any Property (whether now owned or hereafter acquired) by the Company or any of the Subsidiaries to any other Person excluding (i) any sale, assignment, transfer or other disposition of any inventory sold or disposed of in the ordinary course of business and on ordinary business terms and (ii) sales of ownership interests in receivables pursuant to a Permitted Receivables Sale Agreement. The term "Dispose" shall have a  
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correlative meaning.

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

"Environmental Laws" shall mean any and all Federal, state, local and  
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foreign laws, rules or regulations, and any orders or decrees, in each case  
as now or hereafter in effect, relating to the regulation or protection of  
human health, safety or the environment or to emissions, discharges,  
releases or threatened releases of pollutants, contaminants, chemicals or  
toxic or hazardous substances or wastes into the indoor or outdoor  
environment, including, without limitation, ambient air, soil, surface  
water, ground water, wetlands, land or subsurface strata, or otherwise  
relating to the manufacture, processing, distribution, use, treatment,  
storage, disposal, transport or handling of pollutants, contaminants,  
chemicals or toxic or hazardous substances or wastes.

"Equity" shall mean (i) any capital stock or any warrants, options or  
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rights exercisable in respect of capital stock, including any capital stock  
issued upon the exercise of any such warrants, options or rights (other  
than any capital stock, warrants, options or rights issued to directors,  
officers or employees of the Company or any of the Subsidiaries pursuant to  
employee benefit plans, stock option plans or long-term incentive plans  
established in the ordinary course of business and any capital stock of the  
Company issued upon the exercise of such warrants, options or rights) or  
(ii) any other security or instrument representing an equity interest in  
the Company or any of the Subsidiaries.

"Equity Issuance" shall mean (a) any issuance or sale (including,  
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without limitation, issuance or sale as a result of a conversion or  
exchange of debt securities) by the Company of Equity or (b) the receipt by  
the Company of any capital contribution (whether or not evidenced by any  
equity security issued by the Company).

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

"ERISA Affiliate" shall mean any corporation or trade or business  
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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  
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which are determined on the basis of rates

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referred to in the definition of "Fixed Base Rate" in this Section 1.01.

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

"Excess Cash Flow" shall mean, for any fiscal year of the Company, the  
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excess of (a) Cash Flow for such fiscal year over (b) the sum of (i)  
Capital Expenditures made during such fiscal year plus (ii) the aggregate  
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amount of Debt Service for such fiscal year plus (iii) cash taxes on or  
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measured by income paid in such fiscal year plus (iv) the amount by which  
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Working Capital as at the last day of such fiscal year exceeds Working  
Capital as at the later of March 31, 1996 and the last day of the  
immediately preceding fiscal year (or minus the amount by which Working  
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Capital as at the later of March 31, 1996 and the last day of the  
immediately preceding fiscal year exceeds Working Capital as at the last  
day of such fiscal year).

"Exchange Act" shall mean the Securities Exchange Act of 1934,  
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together with the Rules and Regulations of the SEC thereunder, as amended.

"Existing Credit Agreement" shall have the meaning given to such term  
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in the preamble hereto.

"Existing Banks" shall mean the lenders party to the Existing Credit  
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Agreement.

"Facility" shall mean the Revolving Credit Facility, the Series I Term  
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Loan Facility and the Series II Term Loan Facility.

"Federal Funds Rate" shall mean, for any day, the rate per annum  
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(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 Administrative Agent.

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"Fees" shall mean commitment fees and facility fees payable pursuant  
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to Section 2.05 hereof.

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

"Fiscal Dates" shall mean the last day of each March, June, September  
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and December in each year, the first of which shall be the first such day after the Restatement Date.

"Fixed Base Rate" shall mean, with respect to any Fixed Rate Loan for  
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any Interest Period therefor:

(a) the rate per annum appearing on the Telerate Screen Page 3750 (or such other page as may replace that page in that service) as of 11:00 a.m. London time two Business Days prior to the first day of such Interest Period for such Loan as the London Interbank Offered Rate for Dollar deposits having a term comparable to such Interest Period and (if applicable) in an amount of \$1,000,000 or more; or

(b) if no such rate appears on the Telerate Screen Page 3750 or, if said page shall cease to be publicly available or if the information contained on said page, in the reasonable judgment of the Managing Banks, shall cease accurately to reflect the rate offered by leading banks in the London interbank market ("London Interbank Offered Rate") (as reported by  
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any publicly available source of similar market data selected by the Managing Banks that, in the reasonable judgment of the Managing Banks, accurately reflects the London Interbank Offered Rate), the arithmetic mean (rounded, if necessary, to the nearest 1/16 of 1%), as determined by the Administrative 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) on the date two Business Days prior to the first day of such 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

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Interest Period; provided that (i) if any Reference Bank is not

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participating in any Fixed Rate Loans during any Interest Period therefor, 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 during such Interest Period; (ii) 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; and (iii) if any Reference Bank does not timely furnish such information for determination of any Fixed Base Rate, the Administrative Agent shall determine such Fixed Base Rate on the basis of information timely furnished by the remaining Reference Banks.

"Fixed Charge Coverage Ratio" shall mean, as at any date, the ratio of

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(a) the sum of (i) Cash Flow for the period of four (or, if less, the number of full fiscal quarters of the Company since the Amendment Effective Date) consecutive fiscal quarters of the Company ending on or most recently ended prior to such date minus (ii) Capital Expenditures during such period to (b) the sum of (i) Interest Expense for such period plus (ii) Restricted

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Payments made during such period.

"Fixed Rate Loans" shall mean Eurodollar Loans and, for the purposes

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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

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Subsidiary for borrowed money or the purchase price of Property which is shown on the financial statements as a liability, including (a) Capital Lease Obligations and (b) Guarantees which are deemed Funded Debt under Section 8.08 hereof but excluding (i) items customarily reflected as current liabilities and classified as other than debt (it being understood that progress payments, trade accounts payable, obligations under leases which are not capitalized leases and income taxes payable are excluded from "Funded Debt" under this definition), (ii) deferred income taxes and (iii) obligations under a Permitted Receivables Sale Agreement.

"Funded Debt to Cash Flow Ratio" shall mean, as at any date, the ratio

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of (a) Funded Debt as at such date to (b) (x) prior to the completion of four full fiscal quarters of the Company since the Amendment Effective Date, Cash Flow for the period of such number of full fiscal quarters of the Company since the Amendment Effective Date multiplied by a fraction, the numerator of which is four (4) and the denominator of which shall be such number of full fiscal

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quarters of the Company since the Amendment Effective Date and (y) thereafter, Cash Flow for the period of four consecutive fiscal quarters of the Company ending on or most recently ended prior to such date.

"GAAP" shall mean generally accepted accounting principles applied on  
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a basis consistent with those that, in accordance with the last sentence of Section 1.02(a) hereof, are to be used in making the calculations for the purposes of determining compliance with this Agreement.

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

"Grumman" shall mean Grumman Corporation, a New York corporation and,  
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on the Restatement Date, a Wholly-Owned Subsidiary of the Company, or any successor thereto.

"Guarantee" shall mean, with respect to any Person, a guarantee, an  
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endorsement, a contingent agreement to purchase or to furnish funds for the payment or maintenance of, or otherwise to be or become contingently liable under or with respect to, the Indebtedness, other obligations, net worth, working capital or earnings of any other Person, or a guarantee of the payment of dividends or other distributions upon the stock or equity interests of any other Person, or an agreement to purchase, sell or lease (as lessee or lessor) Property, products, materials, supplies or services primarily for the purpose of enabling any other Person to make payment of its obligations or an agreement to assure a creditor of such Person against loss, and including, without limitation, causing a bank or other financial institution to issue a standby letter of credit or other similar instrument supporting the obligations of another Person, but excluding (i) endorsements for collection or deposit in the ordinary course of business and (ii) obligations of such Person under a Permitted Receivables Sale Agreement. The amount of any Guarantee in respect of Indebtedness shall be deemed to be an amount equal to the stated or determinable amount of the related Indebtedness (unless the Guarantee is limited by its terms to a lesser amount, in which case, to the extent of such amount) or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by such Person in good faith. The terms "Guarantee" and "Guaranteed" used as a verb shall have a correlative  
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meaning.

"Indebtedness" shall mean, for any Person: (a) obligations created,  
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issued or incurred by such Person for borrowed money (whether by loan, the issuance and sale of debt securities or the sale of Property to another Person

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subject to an understanding or agreement, contingent or otherwise, to repurchase such Property from such Person); (b) obligations of such Person to pay the deferred purchase or acquisition price of Property or services, other than trade accounts payable (other than for borrowed money) arising, and accrued expenses incurred, in the ordinary course of business so long as such trade accounts payable are payable within 180 days of the date the respective goods are delivered or the respective services are rendered; (c) Indebtedness of others secured by a Lien on the Property of such Person, whether or not the respective indebtedness so secured has been assumed by such Person (but only to the extent of the fair market value of such Property if not assumed by such Person); (d) obligations (contingent or otherwise) in respect of letters of credit, banker's acceptances and similar instruments issued or accepted for account of such Person; (e) Capital Lease Obligations of such Person; (f) Guarantees by such Person of Indebtedness of others; and (g) Interest Rate Protection Agreements. The term "Indebtedness" shall not include the obligations of such Person under a Permitted Receivables Sale Agreement.

"Information Memorandum" shall mean the Confidential Information

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Memorandum dated January 1996 distributed to the Banks.

"Interest Expense" shall mean, for any period, the sum, for the

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Company and the Subsidiaries (determined on a consolidated basis without duplication in accordance with GAAP), of the following: (a) all interest in respect of Funded Debt (including, without limitation, the interest component of any payments in respect of Capital Lease Obligations) accrued or capitalized during such period (whether or not actually paid during such period) plus (b) the net amount payable (or minus the net amount  
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receivable) under Interest Rate Protection Agreements during such period (whether or not actually paid or received during such period) minus (c) all  
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interest income accrued during such period (whether or not actually received during such period).

"Interest Period" shall mean:

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(a) With respect to any Eurodollar Loan, the period commencing on the date such Eurodollar Loan is made or Converted from a Loan of another Type or the last day of the next preceding Interest Period for such Loan and ending on the numerically corresponding day in the first, second, third, sixth or (with the consent of all Banks) twelfth calendar month thereafter, as the Company may select as provided in Section 2.02 hereof,

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except that each such 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 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 360 days thereafter, as the Company may select as provided in Section 2.03(b) hereof.

(c) 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, sixth or twelfth calendar month thereafter, as the Company may select as provided in Section 2.03(b) hereof, except that each such 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 for any Revolving Loan may end after the Revolving Commitment Termination Date and no Interest Period for any Series I Term Loan may end after the Series I Term Loan Final Maturity Date; (ii) no Interest Period for any Series II Term Loan may commence before and end after any Series II Principal Payment Date unless, after giving effect thereto, the aggregate principal amount of the Series II Term Loans having Interest Periods that end after such Series II Principal Payment Date shall be equal to or less than the aggregate principal amount of the Series II Term Loans scheduled to be outstanding after giving effect to the payments of principal required to be made on such Series II Principal Payment Date; (iii) 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); (iv) notwithstanding clauses (i) and (ii) above, no Interest Period for any Eurodollar Loans or LIBOR Bid Loans shall have a duration of less than one month and, if the Interest Period for any Eurodollar Loans would otherwise be a shorter period, such Loans shall not be available hereunder.

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"Interest Rate Protection Agreement" shall mean, for any Person, an  
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interest rate swap, cap or collar agreement or similar arrangement between  
such Person and one or more financial institutions providing for the  
transfer or mitigation of interest rate risks either generally or under  
specific contingencies and entered into as bona fide hedges (and not for  
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speculative purposes) against such interest rate risks.

"Investment" shall mean, for any Person: (a) the acquisition (whether  
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for cash, Property, services or securities or otherwise) of capital stock,  
bonds, notes, debentures, partnership or other ownership interests or other  
securities of any other Person or any agreement to make any such  
acquisition (including, without limitation, any "short sale" or any sale of  
any securities at a time when such securities are not owned by the Person  
entering into such sale); (b) the making of any deposit with, or advance,  
loan or other extension of credit to, any other Person (including the  
purchase of Property from another Person subject to an understanding or  
agreement, contingent or otherwise, to resell such Property to such  
Person), but excluding any such advance, loan or extension of credit having  
a term not exceeding 180 days arising in connection with the sale of  
inventory or supplies by such Person in the ordinary course of business; or  
(c) the entering into of any Guarantee of, or other contingent obligation  
with respect to, Indebtedness or other liability of any other Person and  
(without duplication) any amount committed to be advanced, lent or extended  
to such Person.

"Investment Grade Rating Period" shall mean, after (i) the  
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consummation of the Acquisition (or the express statement by Moody's and  
S&P that the same has been taken into account in reaffirming or announcing  
the ratings referred to in clause (ii) below) and (ii) the date on which  
both Moody's and S&P shall have first either reaffirmed or announced  
revised ratings for the Company Senior Long-Term Debt, any period during  
which the rating of Company Senior Long-Term Debt is BBB- or higher by S&P  
(or a Substitute Rating is at the corresponding rating level or higher) or  
Baa3 or higher by Moody's (or a Substitute Rating is at the corresponding  
rating level or higher).

"Leverage Ratio" shall mean, at any time, the ratio of (a) the  
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aggregate amount (determined without duplication on a consolidated basis)  
of all Funded Debt outstanding at such time to (b) the sum of (i)  
Consolidated Shareholders' Equity at such time plus (ii) all Funded Debt  
outstanding at such time.

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"LIBO Rate" shall mean, for any LIBOR Bid Loan, a rate per annum  
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determined by the Administrative 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  
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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  
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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,  
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pledge, charge, security interest or encumbrance of any kind in respect of  
such asset. The term "Lien" shall not include the ownership interests in  
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receivables acquired by a purchaser under a Permitted Receivables Sale  
Agreement.

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

"Majority Banks" shall mean Banks holding more than 50% of the  
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aggregate amount of (a) the Revolving Credit Commitments or, if the  
Revolving Credit Commitments shall have terminated, the sum of (i) the  
aggregate unpaid principal amount of the Revolving Loans plus (ii) the  
aggregate unpaid principal amount of the Competitive Bid Loans plus (b) the  
Series I Term Loan Commitments or, if the Series I Term Loan Commitments  
shall have terminated, the aggregate principal amount of the Series I Term  
Loans plus (c) the Series II Term Loan Commitments or, if the Series II  
Term Loan Commitments shall have terminated, the aggregate principal amount  
of the Series II Term Loans.

"Managing Banks" shall mean Chase, Chemical Bank and Bank of America  
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N.T. & S.A.

"Mandatory Prepayment Period" shall mean any period during which one  
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or more of the following conditions is satisfied: (a) any principal of the  
Series I Term Loans is outstanding; or (b) the Leverage Ratio is greater  
than 50%; or (c) an Investment Grade Rating Period does not exist; or (d)  
the Administrative Agent shall not have received the financial statements  
and certificate referred to in clause (a) of the definition of the term  
"Applicable Margin" in this Section 1.01.

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"Material Adverse Effect" shall mean a material adverse effect on (a)

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the business, operations, condition (financial or otherwise) or prospects of the Company and the Subsidiaries taken as a whole, (b) the consummation of the Acquisition, (c) the ability of the Company to perform its obligations under any of the Credit Documents, (d) the validity or enforceability of any of the Credit Documents, (e) the rights and remedies of the Banks and the Administrative Agent under any of the Credit Documents or (f) the timely payment of the principal of or interest on the Loans or other amounts payable in connection therewith.

"Material Subsidiary" shall mean, at any time, any Subsidiary if, at

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such time, such Subsidiary would qualify as a "significant subsidiary" under Regulation S-X of the SEC as in effect on the Restatement Date. Notwithstanding the foregoing so long as Vought Aircraft Company is a Subsidiary, it shall be deemed to be a Material Subsidiary for purposes of this Agreement.

"Moody's" shall mean Moody's Investors Service, Inc., or any successor

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thereto.

"Moody's Rating" shall mean, as at any date, the rating most recently

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published by Moody's relating to the Company Senior Long-Term Debt.

"Multiemployer Plan" shall mean a multiemployer plan defined as such

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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 Available Proceeds" shall mean:

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(a) in the case of any Disposition, the amount of Net Cash Payments received in connection with such Disposition; and

(b) in the case of any Equity Issuance, the aggregate amount of all cash or cash equivalents received by the Company and the Subsidiaries in respect of such Equity Issuance net of all expenses incurred by the Company and the Subsidiaries in connection therewith.

"Net Cash Payments" shall mean, with respect to any Disposition, the

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aggregate amount of all cash payments, and the fair market value of any non-cash consideration, received by the Company and the Subsidiaries directly or indirectly in connection with such Disposition; provided that

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(a) Net Cash Payments shall be net of (i) the amount of any legal, title and recording tax expenses, commissions and

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other fees and expenses paid by the Company and the Subsidiaries in connection with such Disposition and (ii) any Federal, state and local income or other taxes estimated in good faith to be payable by the Company and the Subsidiaries as a result of such Disposition, (b) Net Cash Payments shall not include any cash payments plus the fair market value of any non-cash consideration of less than \$5,000,000 in the aggregate from any one Disposition or a series of related Dispositions and (c) Net Cash Payments shall be net of any repayments by the Company or any of the Subsidiaries of Indebtedness to the extent that (i) such Indebtedness is secured by a Lien on the Property that is the subject of such Disposition and (ii) the transferee of (or holder of a Lien on) such Property requires that such Indebtedness be repaid as a condition to the purchase of such Property; provided further that Net Cash Payments with respect to any Disposition that is made during any period that is not a Mandatory Prepayment Period shall be equal to zero.

"Net Income" shall mean, for the Company and the Subsidiaries

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(determined on a consolidated basis without duplication in accordance with GAAP) for any fiscal period, an amount equal to the consolidated net income for such fiscal period.

"Notes" shall mean the Syndicated Notes, the Competitive Bid Notes and

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the Swingline Note.

"PBGC" shall mean the Pension Benefit Guaranty Corporation or any

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entity succeeding to any or all of its functions under ERISA.

"Permitted Buyer Indebtedness" shall mean, in connection with the

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Disposition of real Property only, Indebtedness of the purchaser(s) thereof, secured by a Lien on such Property and having a final maturity not exceeding five years from the date of such Disposition, to the extent that the amount of such Indebtedness permitted by the Company and the Subsidiaries to be created after the Amendment Effective Date does not exceed \$100,000,000 in the aggregate.

"Permitted Receivables Sale Agreements" shall mean (a) the CIBC

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Receivables Sale Agreements and (b) any other receivables sale agreement that replaces the CIBC Receivables Sale Agreements; provided that (i) the

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operative provisions thereof conform in all material respects to those contained in the CIBC Receivables Sale Agreements and (ii) the aggregate "Investment" (as defined in the CIBC Receivables Sale Agreements) does not exceed at any one time

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outstanding \$75,000,000 in the aggregate as to all Permitted Receivable Sale Agreements.

"Person" shall mean an individual, a corporation, a company, a  
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voluntary association, a partnership, a limited liability company, 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  
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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  
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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 2% 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 Eurodollar Loan  
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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, 2% plus the interest rate for such Loan as provided in Section 3.02 hereof and, thereafter, the rate otherwise provided in this definition).

"Prime Rate" shall mean the arithmetic mean (rounded, if necessary, to  
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the nearest 1/16 of 1%), as determined by the Administrative 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  
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on the Restatement Date at 1 Chase Manhattan Plaza, New York, New York 10081.

"Projections" shall have the meaning provided in Section 7.02(d)  
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hereof.

"Property" shall mean any right or interest in or to property of any  
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kind whatsoever, whether real, personal or mixed and whether tangible or intangible.

"Quarterly Dates" shall mean each quarterly anniversary of the  
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Restatement Date, the first of which shall be the first such day after the Restatement Date; provided that if  
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any such day is not a Business Day, the relevant Quarterly Date shall be the immediately succeeding Business Day.

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

"Quotation Date" shall have the meaning assigned to such term in Section 2.03(b) hereof.

"Rating Level 1" shall mean, (a) no Default has occurred and is continuing and (b) the Moody's Rating is at Baa2 or higher (or a Substitute Rating is at the corresponding rating level or higher) or the S&P Rating is at BBB or higher (or a Substitute Rating is at the corresponding rating level or higher); "Rating Level 2" shall mean (a) no Default has occurred and is continuing, (b) the Moody's Rating is at Baa3 or higher (or a Substitute Rating is at the corresponding rating level or higher) or the S&P Rating is at BBB- or higher (or a Substitute Rating is at the corresponding rating level or higher) and (c) Rating Level 1 is not in effect; provided that (A) neither Rating Level 1 nor Rating Level 2 shall exist at any time before (i) the consummation of the Acquisition or (ii) the date on which both Moody's and S&P shall have first either reaffirmed or announced revised ratings for the Company Senior Long-Term Debt, and (B) for purposes of both Rating Level 1 and Rating Level 2, in the event that the rating levels are split, the higher of the two rating levels shall apply.

"Reference Banks" shall mean Chase, Chemical Bank, Bank of America National Trust and Savings Association 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 Restatement Date 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.

"Restatement Date" shall mean March 1, 1996.  
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"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.

"Restricted Subsidiary" shall have the meaning assigned to such term in the Senior Indenture.  
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"Revolving Commitment Termination Date" shall mean the Quarterly Date falling on or nearest to the date six years after the Restatement Date.  
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"Revolving Credit Banks" shall mean (a) on the Amendment Effective Date, the Banks having Revolving Credit Commitments in Schedule I hereto and (b) thereafter, the Banks from time to time holding Revolving Loans and/or Revolving Credit Commitments after giving effect to any assignments thereof permitted by Section 11.06 hereof.

"Revolving Credit Commitment" shall mean, for each Revolving Credit Bank, the obligation of such Bank to make Revolving Loans in an aggregate principal amount at any one time outstanding up to but not exceeding the amount set opposite the name of such Bank on Schedule I hereto under the caption "Revolving Credit Commitment" (as the same may be reduced from time to time pursuant to Section 2.04 hereof or reduced or increased pursuant to Section 11.06 hereof). The aggregate amount of the Revolving Credit Commitments on the Amendment Effective Date is \$1,800,000,000.

"Revolving Credit Facility" shall mean the Facility constituted by the Revolving Credit Commitments.  
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"Revolving Loans" shall mean the loans provided for by Section 2.01(c) hereof, which may be Base Rate Loans and/or Eurodollar Loans.  
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"Revolving Notes" shall mean the promissory notes provided for by Section 2.08(a)(iii) hereof and all promissory notes delivered in substitution or exchange therefor, in each case as the same shall be modified and supplemented and in effect from time to time.  
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"S&P" shall mean Standard & Poor's Ratings Group, or any successor  
thereto.

"S&P Rating" shall mean, as at any date, the rating most recently  
published by S&P relating to the Company Senior Long-Term Debt.

"SEC" shall mean the Securities and Exchange Commission or any  
successor thereto.

"Securities Act" shall mean the Securities Act of 1933, together with  
the Rules and Regulations of the SEC thereunder, as amended.

"Seller" shall mean Westinghouse Electric Corporation, a Pennsylvania  
corporation.

"Senior Indenture" shall mean the Indenture dated as of October 15,  
1994 between the Company and Chase, as trustee, as supplemented by the  
Officers' Certificate dated as of February 27, 1996 pursuant to Sections  
201, 301 and 303 of such Indenture, and as the same shall be further  
modified and supplemented and in effect from time to time.

"Series I Term Loans" shall mean the loans provided for by Section  
2.01(a) hereof, which may be Base Rate Loans and/or Eurodollar Loans.

"Series I Term Loan Banks" shall mean (a) on the Amendment Effective  
Date, the Banks having Series I Term Loan Commitments in Schedule I hereto  
and (b) thereafter, the Banks from time to time holding Series I Term Loans  
and/or Series I Term Loan Commitments after giving effect to any  
assignments thereof permitted by Section 11.06 hereof.

"Series I Term Loan Commitment" shall mean, for each Series I Term  
Loan Bank, the obligation of such Bank to make one or more Series I Term  
Loans in an aggregate amount up to but not exceeding the amount set  
opposite the name of such Bank on Schedule I hereto under the caption  
"Series I Term Loan Commitment" (as the same may be reduced from time to  
time pursuant to Section 2.04 hereof or reduced or increased pursuant to  
Section 11.06 hereof). The aggregate amount of the Series I Term Loan  
Commitments on the Amendment Effective Date is \$500,000,000.

"Series I Term Loan Facility" shall mean the Facility constituted by  
the Series I Term Loan Commitments.

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"Series I Term Loan Final Maturity Date" shall mean the Quarterly Date  
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falling on or nearest to the date two years after the Restatement Date.

"Series II Principal Payment Date" shall mean each Quarterly Date of  
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each year, commencing with the first such Quarterly Date following the  
Restatement Date through and including the Series II Term Loan Final  
Maturity Date.

"Series II Term Loan Banks" shall mean (a) on the Amendment Effective  
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Date, the Banks having Series II Term Loan Commitments in Schedule I hereto  
and (b) thereafter, the Banks from time to time holding Series II Term  
Loans and/or Series II Term Loan Commitments after giving effect to any  
assignments thereof permitted by Section 11.06 hereof.

"Series II Term Loan Commitment" shall mean, for each Series II Term  
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Loan Bank, the obligation of such Bank to make one or more Series II Term  
Loans in an aggregate amount up to but not exceeding the amount set  
opposite the name of such Bank on Schedule I hereto under the caption  
"Series II Term Loan Commitment" (as the same may be reduced from time to  
time pursuant to Section 2.04 hereof or reduced or increased pursuant to  
Section 11.06 hereof). The aggregate amount of the Series II Term Loan  
Commitments on the Amendment Effective Date is \$1,500,000,000.

"Series II Term Loan Facility" shall mean the Facility constituted by  
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the Series II Term Loan Commitments.

"Series II Term Loan Final Maturity Date" shall mean the Quarterly  
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Date falling on or nearest to the date six years after the Restatement  
Date.

"Series II Term Loans" shall mean the loans provided for by Section  
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2.01(b) hereof, which may be Base Rate Loans and/or Eurodollar Loans.

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

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

"Subordinated Indebtedness" shall mean, with respect to the Company,  
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(a) Indebtedness issued pursuant to the Subordinated Indenture (i) that  
does not have any principal or sinking fund payment due prior to the  
Revolving

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Commitment Termination Date or the Series II Term Loan Final Maturity Date and (ii) in respect of which interest is payable not more often than semi-annually and (b) Indebtedness (i) for which the Company is directly and primarily liable, (ii) in respect of which none of the Subsidiaries is contingently or otherwise obligated, (iii) that does not have any principal or sinking fund payment due prior to the Revolving Commitment Termination Date or the Series II Term Loan Final Maturity Date, (iv) in respect of which interest is payable not more often than semi-annually and (v) that is subordinated to the obligations of the Company to pay principal of and interest on the Loans and Notes and Fees and other amounts payable hereunder on terms, and pursuant to documentation containing other terms (including covenants and events of default), that are no less favorable to the Banks than those contained in the Subordinated Indenture.

"Subordinated Indenture" shall mean the form of Indenture filed as  
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Exhibit 4-6 to the Company's Registration Statement on Form S-3 filed with the SEC on August 19, 1994, as amended by the Company's Form 8-K filed with the SEC on February 28, 1996.

"Subsidiary" shall mean any corporation, partnership or other entity  
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of which at least a majority of the securities or other ownership interests having by the terms thereof ordinary voting power to elect (whether immediately or ultimately) a majority of the board of directors or other Persons performing similar functions of such corporation, partnership or other entity (irrespective of whether or not at the time securities or other ownership interests of any other class or classes of such corporation, partnership or other entity shall have or might have voting power by reason of the happening of any contingency) is 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, partnership or  
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other entity of which all of the equity securities or other ownership interests (other than, in the case of a corporation, directors' qualifying shares) are so owned or controlled.

"Substitute Rating" shall mean, as at any date, the rating most  
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recently published by a Substitute Rating Agency relating to the Company Senior Long-Term Debt; provided that, for all purposes of the Credit Documents, the same Substitute Rating may not be substituted for both the Moody's Rating and the S&P Rating.

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"Substitute Rating Agency" shall mean any rating agency (other than  
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Moody's or S&P) proposed by the Company and acceptable to the Managing  
Banks in their reasonable determination.

"Swingline Borrowing Notice" shall have the meaning assigned to such  
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term in Section 2.11(b) hereof.

"Swingline Commitment" shall mean the obligation of the Swingline Bank  
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to make Swingline Loans pursuant to Section 2.11 hereof in an aggregate  
amount at any one time outstanding up to but not exceeding the amount set  
opposite the Swingline Bank's name on the signature pages hereof under the  
caption "Swingline Commitment" (as the same may be reduced, assigned or  
otherwise transferred at any time or from time to time pursuant to Section  
2.04 or 11.06 hereof).

"Swingline Loans" shall mean the loans provided for by Section 2.11  
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hereof.

"Swingline Maturity Date" shall have the meaning assigned to such term  
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in Section 3.01(e) hereof.

"Swingline Note" shall mean the promissory note provided for by  
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Section 2.08(c) hereof, as the same shall be modified and supplemented and  
in effect from time to time.

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

"Syndicated Notes" shall mean the promissory notes provided for by  
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Section 2.08(a) hereof and all promissory notes delivered in substitution  
or exchange therefor, in each case as the same shall be modified and  
supplemented and in effect from time to time.

"Term Loan Banks" shall mean the Series I Term Loan Banks and the  
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Series II Term Loan Banks.

"Term Loans" shall mean the Series I Term Loans and the Series II Term  
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Loans.

"Term Loan Commitments" shall mean the Series I Term Loan Commitments  
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and the Series II Term Loan Commitments.

"Term Loan Commitment Termination Date" shall mean March 29, 1996.  
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"Term Notes" shall mean the promissory notes provided for by Section  
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2.08(a)(i) and (ii) hereof and all promissory notes delivered in  
substitution or exchange therefor, in

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each case as the same shall be modified and supplemented and in effect from time to time.

"Type" shall have the meaning assigned to such term in Section 1.03

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hereof.

"Working Capital" shall mean, at any time, for the Company and the

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Subsidiaries (determined on a consolidated basis without duplication in accordance with GAAP), the amount by which (i) total current assets (excluding cash and cash equivalents) exceeds (ii) total current liabilities.

"Working Capital Credit Lines" shall mean uncommitted short-term

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unsecured credit facilities (including, without limitation, commercial paper facilities) extended to the Company for working capital purposes.

1.02 Accounting Terms and Determinations.  
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(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 Restatement Date (or, until such financial statements are furnished, consistent with those used in the preparation of the financial statements referred to in Section 7.02(a) 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(a) 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,

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shall mean the financial statements referred to in Section 7.02(a) 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(a) 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.

(d) To enable the ready and consistent determination of compliance with the covenants set forth in Section 8 hereof, the Company will not change the last day of its fiscal year from December 31 of each year, or the last days of the first three fiscal quarters in each of its fiscal years from March 31, June 30 and September 30 of each year, respectively.

1.03 Classes and Types of Loans. Loans hereunder are distinguished

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by "Class" and by "Type". The "Class" of a Loan (or of a Commitment to make a Loan) refers to whether such Loan is a Competitive Bid Loan, a Revolving Loan, a Series I Term Loan, a Series II Term Loan or a Swingline Loan, each of which constitutes a Class. The "Type" of a Loan refers to whether such Loan is a Base Rate Loan, a Eurodollar Loan, a Set Rate Loan or a LIBOR Bid Loan, each of which constitutes a Type. Loans may be identified by both Class and Type.

Credit Agreement

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Section 2. Commitments.  
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2.01 Syndicated Loans. Subject to and upon the terms and conditions  
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herein set forth, each Bank severally agrees to make loans (each a "Syndicated  
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Loan" and, collectively, the "Syndicated Loans") to the Company in Dollars up to  
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but not exceeding the amount of such Bank's Commitment under each of the Series  
I Term Loan Facility, the Series II Term Loan Facility and the Revolving Credit  
Facility, as set forth below:

(a) Series I Term Loans. Syndicated Loans under the Series I Term  
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Loan Facility shall be available at any time and from time to time from and  
after the Amendment Effective Date to and including the Term Loan Commitment  
Termination Date. Subject to the terms and conditions of this Agreement, Series  
I Term Loans may, at the option of the Company, be borrowed and maintained as,  
and/or Converted into, Base Rate Loans or Eurodollar Loans.

(b) Series II Term Loans. Syndicated Loans under the Series II Term  
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Loan Facility shall be available at any time and from time to time from and  
after the borrowing of the full amount of the Series I Term Loans to and  
including the Term Loan Commitment Termination Date. Subject to the terms and  
conditions of this Agreement, Series II Term Loans may, at the option of the  
Company, be borrowed and maintained as, and/or Converted into, Base Rate Loans  
or Eurodollar Loans.

(c) Revolving Loans. Syndicated Loans under the Revolving Credit  
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Facility shall be available at any time and from time to time from and after the  
Amendment Effective Date to and including the Revolving Commitment Termination  
Date. Subject to the terms and conditions of this Agreement, during such period,  
Revolving Loans may be borrowed, repaid and reborrowed and may, at the option of  
the Company, be borrowed and maintained as, and/or Converted into, Base Rate  
Loans or Eurodollar Loans. Notwithstanding the foregoing, no Revolving Loan  
shall be made if the sum of (i) such Revolving Loan (together with all other  
Revolving Loans and Competitive Bid Loans to be made on the same day as such  
Revolving Loan) plus (ii) the aggregate principal amount of all outstanding  
Competitive Bid Loans plus (iii) the aggregate principal amount of all  
outstanding Revolving Loans plus (iv) the aggregate principal amount of all  
outstanding Swingline Loans exceeds the aggregate amount of the Revolving Credit  
Commitments at such time.

2.02 Borrowings of Syndicated Loans.  
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(a) The Company shall give the Administrative Agent (which shall  
promptly notify the Banks) notice of each borrowing of Syndicated Loans  
hereunder as provided in Section 4.07 hereof.

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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 Administrative Agent, at account number NYAO-DI-900-9-000002 maintained by the Administrative Agent with Chase at the Principal Office, in immediately available funds, for account of the Company. The amount so received by the Administrative 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.

(b) At any time after the making of any Swingline Loan by the Swingline Bank until the unpaid principal amount of such Swingline Loan shall have been paid in full, the Swingline Bank may, and the Company hereby irrevocably authorizes and empowers (which power is coupled with an interest) the Swingline Bank to, deliver, on behalf of the Company, to the Administrative Agent under Section 2.02(a) hereof a notice of borrowing of Syndicated Loans that are Base Rate Loans in an amount equal to the then unpaid principal amount of such Swingline Loan. In the event that the power of the Swingline Bank to give such notice of borrowing on behalf of the Company is terminated for any reason whatsoever (including, without limitation, a termination resulting from the occurrence of an event specified in clause (f) or (g) of Section 9 hereof with respect to the Company), or the Swingline Bank is otherwise precluded for any reason whatsoever from giving a notice of borrowing on behalf of the Company as provided in the preceding sentence, each Revolving Credit Bank shall, upon notice from the Swingline Bank, promptly purchase from the Swingline Bank a participation in (or, if and to the extent specified by the Swingline Bank, an assignment of) such Swingline Loan in the amount of the Base Rate Loan it would have been obligated to make pursuant to such notice of borrowing. Each Revolving Credit Bank shall, not later than 4:00 p.m. New York time on the Business Day on which such notice is given (if such notice is given by 2:15 p.m. New York time) or 9:00 a.m. New York time on the next succeeding Business Day (if such notice is given after 2:15 p.m., but before 5:00 p.m., New York time), make available the amount of the Base Rate Loan to be made by it (or the amount of the participation or assignment to be purchased by it, as the case may be) to the Administrative Agent at the account specified in Section 2.02(a) hereof and the amount so received by the Administrative Agent shall promptly be made available to the Swingline Bank by remitting the same, in immediately available funds, to the Swingline Bank. Promptly following its receipt of any payment in respect of such Swingline Loan, the Swingline Bank shall pay to each Revolving Credit Bank that has acquired a participation in such Swingline Loan such Revolving Credit Bank's proportionate share of such payment.

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Anything in this Agreement to the contrary notwithstanding (including, without limitation, in Section 6.02 hereof), the obligation of each Revolving Credit Bank to make its Base Rate Loan (or purchase its participation in or assignment of such Swingline Loan, as the case may be) pursuant to this Section 2.02(b) is unconditional under any and all circumstances whatsoever and shall not be subject to set-off, counterclaim or defense to payment that such Revolving Credit Bank may have or have had against the Company, the Administrative Agent, the Swingline Bank or any other Bank and, without limiting any of the foregoing, shall be unconditional irrespective of (i) the occurrence of any Default, (ii) the financial condition of the Company, any Subsidiary, the Administrative Agent, the Swingline Bank or any other Bank or (iii) the termination or cancellation of the Revolving Credit Commitments; provided that the Revolving

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Credit Banks shall not be obligated to make such Base Rate Loans (or to purchase participations or direct interests in the Swingline Loan) (i) if, at the time of the making of such Swingline Loan, the Swingline Bank had actual knowledge that a Default had occurred and was continuing or (ii) to the extent (and only to the extent) that such Base Rate Loans, together with all other Revolving Credit Loans, Competitive Bid Loans and Swingline Loans (other than the Swingline Loan to be repaid with the proceeds of such Base Rate Loans) then outstanding, would exceed the then aggregate amount of the Revolving Credit Commitments. The Company agrees that any Revolving Credit Bank so purchasing a participation (or assignment) in such Swingline Loan may exercise all rights of set-off, bankers' lien, counterclaim or similar rights with respect to such participation as fully as if such Revolving Credit Bank were a direct holder of a Swingline Loan in the amount of such participation.

2.03 Competitive Bid Loans.

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(a) In addition to borrowings of Revolving Loans, at any time and from time to time during an Investment Grade Rating Period and prior to the Revolving 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

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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

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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 Revolving Loans and all Swingline Loans, at any one time outstanding shall not exceed the aggregate amount of the Revolving Credit Commitments at such time.

(b) When the Company wishes to request offers to make Competitive Bid Loans, it shall give the Administrative Agent (which shall promptly notify the Banks) notice (a "Competitive Bid Quote Request") so as to be received no later

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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 Administrative Agent, with the consent of the Majority Banks, may agree with notice by the Administrative Agent to the Banks of such agreement), specifying:

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

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

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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

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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 Administrative Agent, with the consent of the Majority Banks, may agree with notice by the Administrative 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

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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 Administrative 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 Administrative Agent, with the consent of the Majority Banks, may agree with notice by the Administrative Agent to the Banks of such agreement); provided that any Competitive Bid Quote submitted by Chase

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(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 Administrative 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;

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(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 Revolving Credit 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 LIBO Rate (the "Competitive Bid Margin") offered for  
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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 LIBO 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  
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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

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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").  
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(d) The Administrative 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 Administrative Agent unless such subsequent Competitive Bid Quote is submitted solely to correct a manifest error in such

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former Competitive Bid Quote. The Administrative 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 Administrative Agent, with the consent of the Majority Banks, may agree with notice by the Administrative Agent to the Banks of such agreement), the Company shall notify the Administrative 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 Administrative Agent of its acceptance of an offer as provided above shall be deemed to be nonacceptance by the Company of such offer), and the Administrative Agent shall promptly notify each affected Bank. In the case of acceptance, such notice by the Administrative 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 Administrative 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

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(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 Administrative Agent at the Principal Office in immediately available funds. The amount so received by the Administrative 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 Revolving Credit Commitment.

2.04 Changes of Commitments.  
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(a) Voluntary Reduction of Commitments. The Company shall have the  
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right to terminate or reduce the unused amount of the Commitments (solely for which purpose the amount of any Competitive Bid Borrowing and outstanding Swingline Loans shall be deemed to be a pro rata (based upon Commitments) utilization of each Revolving Credit Bank's Revolving Credit Commitment) at any time or from time to time upon not less than three Business Days' prior notice to the Administrative 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 \$25,000,000 or an integral multiple of \$5,000,000 in excess thereof) and shall be irrevocable and effective only upon receipt by the Administrative Agent; provided that (i) the aggregate  
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amount of the Revolving Credit Commitments shall at no time be less than the amount of the Swingline Commitment as then in effect and (ii) the aggregate

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amount of the Revolving Credit Commitments shall at no time be less than the aggregate unpaid principal amount of all Revolving Loans, Swingline Loans and Competitive Bid Loans.

(b) Termination of Commitments. The Revolving Credit Commitments and

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the Swingline Commitment shall terminate on the Revolving Commitment Termination Date and the Series I Term Loan Commitments and the Series II Term Loan Commitments shall terminate on the Term Loan Commitment Termination Date.

(c) Reduction of Swingline Commitment. The Company shall have the

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right to terminate or reduce the unused amount of the Swingline Commitment at any time or from time to time upon not less than three Business Days' prior notice to the Administrative Agent (which shall promptly notify the Swingline Bank and each Bank) of each such termination or reduction, which notice shall specify the effective date thereof and the amount of any such reduction (which shall be at least \$25,000,000 and in integral multiples of \$5,000,000) and shall be irrevocable and effective only upon receipt by the Administrative Agent; provided that the Swingline Commitment shall at no time be less than the

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aggregate unpaid principal amount of the Swingline Loans.

(d) No Reinstatement. The Commitments and the Swingline Commitment

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once terminated or reduced may not be reinstated.

(e) Bank Replacement. If any Bank requests compensation pursuant to

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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 Commitments) 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

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by the Company in a notice (the "Replacement Notice") to the Administrative

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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 Administrative Agent

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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 Commitments proposed to be transferred to the Replacement

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Bank(s), together with the aggregate amount of the Commitments transferred pursuant to this Section 2.04(e) 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 Commitments proposed to be transferred to any Replacement Bank shall be at least \$10,000,000 (or, if less than \$10,000,000, the entire Commitments of the affected Bank). On the date of any transfer permitted under this Section 2.04(e), (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

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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 (including, if such Bank is the Swingline Bank, its Swingline Commitment) shall terminate (provided

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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 Commitments 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 Administrative Agent (after consultation with the Company) shall, by notice to the Company and the Banks, designate another Bank as a Reference Bank.

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2.05 Fees.  
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(a) The Company shall pay to the Administrative Agent for account of each Term Loan Bank a commitment fee on the daily average unused amount of such Bank's Term Loan Commitment for the period from and including the Restatement Date to but excluding the earlier of the date such Term Loan Commitment is terminated or the Term Loan Commitment Termination Date at a rate equal to 0.375% per annum. Accrued commitment fee shall be payable on the earlier of the date the Term Loan Commitments are terminated or the Term Loan Commitment Termination Date.

(b) The Company shall pay to the Administrative Agent for account of each Revolving Credit Bank a facility fee on the daily average amount of such Bank's Revolving Credit Commitment (whether or not utilized) for the period from and including the Restatement Date to but excluding the earlier of the date such Commitment is terminated or the Revolving 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 Revolving Credit Commitments are terminated or the Revolving Commitment Termination Date.

(c) The Company shall pay to the Administrative Agent for the Administrative Agent's account a fee of \$3,000 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  
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be made and maintained at such Bank's Applicable Lending Office for Loans of such Type. The Swingline Loans shall be made and maintained at the Applicable Lending Office of the Swingline Bank for Swingline Loans.

2.07 Several Obligations; Remedies Independent. The failure of any  
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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 Administrative Agent to

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consent to, or be joined as an additional party in, any proceedings for such purposes.

2.08 Notes.

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(a) The Syndicated Loans made by each Bank shall be evidenced (i) if Series I Term Loans, by a single promissory note of the Company in substantially the form of Exhibit A-1 hereto, dated the Restatement Date, payable to such Bank in a principal amount equal to its Series I Term Loan Commitment and otherwise duly completed (each a "Series I Term Note" and collectively the "Series I Term

Notes"), (ii) if Series II Term Loans, by a single promissory note of the

Company in substantially the form of Exhibit A-2 hereto, dated the Restatement Date, payable to such Bank in a principal amount equal to its Series II Term Loan Commitment and otherwise duly completed (each a "Series II Term Note",

collectively the "Series II Term Notes" and, together with the Series I Term

Notes, the "Term Notes") and (iii) if Revolving Loans, by a single promissory

note of the Company substantially in the form of Exhibit A-3 hereto, dated the Restatement Date, payable to such Bank in a principal amount equal to its Revolving Credit Commitment as originally in effect and otherwise duly completed (each a "Revolving Note" and collectively the "Revolving Notes"). The date,

amount, Type and interest rate of each Series I Term Loan, each Series II Term Loan and each Revolving 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 the Note evidencing the same, 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-4 hereto, dated the Restatement Date, 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) The Swingline Loans made by the Swingline Bank shall be evidenced by a single promissory note of the Company in substantially the form of Exhibit A-5 hereto, dated the

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Restatement Date, payable to the Swingline Bank in a principal amount equal to the amount of its Swingline Commitment as originally in effect and otherwise duly completed. The date and amount of each Swingline Loan and each payment made on account of the principal thereof, shall be recorded by the Swingline Bank on its books and, prior to any transfer of its Swingline Note, endorsed by the Swingline Bank on the schedule attached to the Swingline Note or any continuation thereof; provided that the failure by the Swingline Bank to make any such recordation or endorsement shall not affect any of the obligations of the Company hereunder or under the Swingline Note.

(d) 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 Commitments, Loans and Notes pursuant to Sections 11.06(b) and 11.06(f) hereof. The Swingline Note may not be subdivided, by exchange for promissory notes of lesser denominations or otherwise, except in connection with an assignment permitted pursuant to Section 11.06(c) hereof of all or any portion of the Swingline Bank's Swingline Commitment, the Swingline Loans and the Swingline Note.

2.09 Optional Prepayments and Conversions or Continuations of Loans.

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Subject to Sections 4.06, 4.07 and 5.05 hereof, the Company shall have the right to prepay Syndicated Loans or Swingline Loans, or to Convert Syndicated Loans of one Type into Syndicated Loans of another Type or Continue Syndicated Loans of one Type as Syndicated Loans of the same Type, at any time or from time to time, provided that: (a) the Company shall give the Administrative Agent notice of

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each such prepayment, Conversion or Continuation as provided in Section 4.07 hereof (and, upon the date specified in any such notice of prepayment, the amount to be prepaid shall become due and payable hereunder); (b) Eurodollar Loans may be prepaid or Converted only on the last day of an Interest Period for such Loans; (c) Syndicated Loans may not be prepaid at any time that any Swingline Loan is outstanding and (d) prepayments of the Term Loans shall be applied first, to the then-remaining installments of the Series II Term Loans in

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the direct order of their maturities and second, to the aggregate outstanding

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principal amount of the Series I Term Loans. No Competitive Bid Loan may be prepaid without the consent of the Bank holding such Competitive Bid Loan

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(provided that this sentence shall not affect the Company's obligation to pay

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Loans pursuant to Section 9 hereof). Notwithstanding the foregoing, and without limiting the rights and remedies of the Banks under Section 9 hereof, in the event that any Event of Default specified in Section 9(a) or 9(b)(i) hereof shall have occurred and be continuing, the Administrative Agent may (and at the request of the Majority Banks shall) suspend the right of the Company to Convert any Syndicated Loan into a Eurodollar Loan, or

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to Continue any Syndicated Loan as a Eurodollar Loan, in which event all Syndicated Loans shall be Converted into (on the last day(s) of the respective Interest Periods therefor) or Continued as Base Rate Loans.

2.10 Mandatory Prepayments.  
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(a) Equity Issuance. Upon any Equity Issuance during a Mandatory  
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Prepayment Period after the Amendment Effective Date, the Company shall prepay the Term Loans in an aggregate amount equal to 100% of the Net Available Proceeds thereof, such prepayment to be effected in the manner and to the extent specified in paragraph (f) of this Section 2.10.

(b) Excess Cash Flow. If on the last day of any fiscal year of the  
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Company ending after the Amendment Effective Date a Mandatory Prepayment Period is in effect, then not later than the date 105 days after the end of such fiscal year, the Company shall prepay the Term Loans in an aggregate amount equal to the excess of (A) 50% of Excess Cash Flow for such fiscal year over (B) the aggregate amount of voluntary prepayments of Term Loans made during such fiscal year after the Term Loan Commitment Termination Date pursuant to Section 2.09 hereof, such prepayment to be effected in each case in the manner and to the extent specified in paragraph (f) of this Section 2.10; provided that the  
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Company shall not be required to make such prepayment if such excess amount is less than \$10,000,000.

(c) Sale of Assets. Without limiting the obligation of the Company  
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to obtain the consent of the Majority Banks pursuant to Section 8.09 hereof to any Disposition not otherwise permitted under Section 8.09 hereof, in the event of any Disposition made after the Amendment Effective Date while a Mandatory Prepayment Period is in effect (or, if after giving effect to any such Disposition, a Mandatory Prepayment Period would exist), (i) no later than five Business Days prior to the occurrence of such Disposition resulting in Net Available Proceeds of \$5,000,000 or more, the Company will deliver to the Banks a statement, certified by a senior financial officer of the Company, in form and detail satisfactory to the Administrative Agent, of the aggregate amount of the Net Available Proceeds of such Disposition and (ii) the Company shall prepay the Term Loans in an aggregate amount equal to 100% of the Net Available Proceeds received from such Disposition (except that Net Available Proceeds consisting of Permitted Buyer Indebtedness need not be applied to such prepayment until the earlier of any payment or Disposition of such Permitted Buyer Indebtedness and then only to the extent of such payment or the Net Available Proceeds of such Disposition), such prepayment to be effected in each case in the manner and to the extent specified in paragraph (f) of this Section 2.10.

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(d) Funded Debt Incurrence. Upon the creation, incurrence or

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issuance by the Company or any of the Subsidiaries after the Amendment Effective Date of any Funded Debt (other than (i) the Loans, (ii) Working Capital Credit Lines, (iii) Capital Lease Obligations and (iv) Indebtedness secured by Liens permitted by Section 8.10(f) hereof) during a Mandatory Prepayment Period (or, if after giving effect to any such creation, incurrence or issuance of Funded Debt, a Mandatory Prepayment Period would exist), the Company shall prepay the Term Loans in an aggregate amount equal to 100% of all cash received by the Company and the Subsidiaries in respect of such Funded Debt (net of expenses incurred by the Company and the Subsidiaries in connection therewith), such prepayment to be effected in the manner and to the extent specified in paragraph (f) of this Section 2.10.

(e) Purchase Price Adjustments. During a Mandatory Prepayment

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Period, the Company shall prepay the Term Loans in an aggregate amount equal to any purchase price adjustments received by the Company from the Seller under Section 2.3 of the Asset Purchase Agreement, such prepayment to be effected in the manner and to the extent specified in paragraph (f) of this Section 2.10; provided that the Company shall not be required to make such prepayment if such adjustments aggregate less than \$10,000,000.

(f) Application.

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(i) Prepayments of Term Loans described in paragraphs (a), (c), (d) and (e) above shall be applied first to the aggregate outstanding principal amount of the Series I Term Loans and second to the then-remaining installments of the Series II Term Loans ratably.

(ii) Prepayments of Term Loans described in paragraph (b) above shall be applied first to the then-remaining installments of the Series II Term Loans in the direct order of their maturities and second to the aggregate outstanding principal amount of the Series I Term Loans.

(iii) If any such prepayment would obligate the Company to make a payment under Section 5.05 hereof, such prepayment may, so long as no Default shall have occurred and be continuing, be delayed until the earlier of (i) the last day of any then current Interest Period and (ii) 30 days after such prepayment would otherwise have to have been made.

2.11 Swingline Loans.

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(a) The Swingline Bank hereby agrees, on the terms and conditions of this Agreement, to make loans ("Swingline Loans") to the Company in Dollars

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during the period from and including the Amendment Effective Date to but not including the Revolving Commitment Termination Date in an aggregate amount at any one time outstanding up to but not exceeding its Swingline Commitment; provided that the aggregate unpaid principal amount of all Swingline Loans,

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together with the aggregate unpaid principal amount of all Revolving Loans and all Competitive Bid Loans, at any one time outstanding may not exceed the aggregate amount of the Revolving Credit Commitments. Subject to the terms of this Agreement, the Company may borrow, repay and reborrow the amount of the Swingline Commitment by means of Base Rate Loans; provided that, unless the Swingline Bank shall otherwise agree, (i) Swingline Loans may not be borrowed more than ten (10) times per year and (ii) no Swingline Loans may be outstanding on the last day of any calendar quarter.

(b) The Company shall, not later than 2:00 p.m. New York time on the date on which the Company proposes to borrow a Swingline Loan, give the Administrative Agent (which shall promptly notify the Swingline Bank and the Banks) notice of such borrowing (a "Swingline Borrowing Notice"), which notice

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shall be irrevocable and effective only upon receipt by the Administrative Agent and shall specify the principal amount of the Swingline Loan to be borrowed (which shall be at least \$5,000,000 and in integral multiples of \$1,000,000). Not later than 3:00 p.m. New York time, on the date specified in each Swingline Borrowing Notice hereunder, the Swingline Bank shall, subject to the terms of this Agreement, make the amount of the Swingline Loan to be made by it on such date available to the Administrative Agent in account number NYAO-DI-900-9-000002 maintained by the Administrative Agent with Chase at the Principal Office in immediately available funds, for account of the Company. The amount so received by the Administrative 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.

Section 3. Payments of Principal and Interest.  
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3.01 Repayment of Loans.  
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(a) The Company hereby promises to pay to the Administrative Agent for account of each Bank the entire outstanding principal amount of such Bank's Revolving Loans, and each Revolving Loan shall mature, on the Revolving Commitment Termination Date.

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(b) The Company hereby promises to pay to the Administrative Agent for account of each Bank that makes any Competitive Bid Loan the principal amount of such Competitive Bid Loan, and such Competitive Bid Loan shall mature, on the last day of the Interest Period for such Competitive Bid Loan.

(c) The Company hereby promises to pay to the Administrative Agent for account of each Bank the entire outstanding principal amount of such Bank's Series I Term Loans, and each Series I Term Loan shall mature, on the Series I Term Loan Final Maturity Date.

(d) The Company hereby promises to pay to the Administrative Agent for account of the Banks the aggregate principal amount of the Series II Term Loans in 24 equal consecutive quarterly installments payable on the Series II Principal Payment Dates.

(e) The Company hereby promises to pay to the Administrative Agent for account of the Swingline Bank the principal of each Swingline Loan at or prior to, and such Swingline Loan shall mature at, 1:00 p.m. New York time on the fifth Business Day immediately following the day on which such Swingline Loan was made (the "Swingline Maturity Date").  
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3.02 Interest.  
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(a) Syndicated Loans and Competitive Bid Loans. The Company hereby  
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promises to pay to the Administrative 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:

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

(ii) during such period as such Loan is a Eurodollar Loan, for each Interest Period relating thereto, the Fixed Base Rate for such Loan for such Interest Period plus the Applicable Margin;

(iii) if such Loan is a LIBOR Bid Loan, the LIBO 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

(iv) if such Loan is a Set Rate Loan, the Competitive Bid Rate for such Loan for the Interest Period therefor

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quoted by the Bank making such Loan in accordance with Section 2.03 hereof.

Notwithstanding the foregoing, the Company hereby promises to pay to the Administrative Agent for account of each Bank interest at the applicable Post-Default Rate on any principal of any Loan made by such Bank, and on any other amount payable by the Company hereunder or under any 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 (i) in the case of a Base Rate Loan, quarterly on the Quarterly Dates, (ii) in the case of a Eurodollar Loan or a Competitive Bid Loan, on the last day of each 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, and (iii) in the case of any Loan, upon the payment or prepayment thereof or the Conversion of such Loan to a Loan of another Type (but only on the principal amount so paid, prepaid or Converted), except that interest payable at the Post-Default Rate shall be payable from time to time on demand. Promptly after the determination of any interest rate provided for herein or any change therein, the Administrative Agent shall notify the Banks to which such interest is payable and the Company thereof.

(b) Swingline Loans. The Company hereby promises to pay to the

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Administrative Agent for account of the Swingline Bank interest on the unpaid principal amount of each Swingline Loan for the period from and including the day such Swingline Loan is made to but excluding the Swingline Maturity Date applicable thereto at the Base Rate (as in effect from time to time) plus the Applicable Margin (if any) for Revolving Loans that are Base Rate Loans, which interest shall be payable on such Swingline Maturity Date. The Company hereby promises to pay to the Administrative Agent for account of the Swingline Bank interest at the applicable Post-Default Rate on any principal of or interest on any Swingline Loan that shall not be paid in full when due for the period from and including the Swingline Maturity Date thereof to but excluding the date the same is paid in full. Interest payable at the Post-Default Rate shall be payable from time to time on demand of the Swingline Bank.

Section 4. Payments; Pro Rata Treatment; Computations; Etc.  
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4.01 Payments. Except to the extent otherwise provided herein, all

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payments of principal, interest and other amounts to be made by the Company under this Agreement and the

Credit Agreement  
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Notes shall be made in Dollars, in immediately available funds, to the Administrative Agent at account number NYAO-DI-900-9-000002 maintained by the Administrative 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 or the Swingline 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 or the Swingline Bank, as the case may be (with notice to the Company and the Administrative Agent provided that such Bank's failure to give such notice shall not affect the

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validity of any such debit). The Company shall, at the time of making each payment under this Agreement or any Note for account of any Bank or the Swingline Bank, specify to the Administrative 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 Administrative Agent shall distribute such payment first

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to the Swingline Bank (to the extent any amounts are then due and payable to the Swingline Bank on account of the Swingline Loans) and then to the Banks pro rata

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(based on the amounts then due and payable hereunder to the Banks) and each Bank or the Swingline Bank, as the case may be, may apply the portion of such payment received by it to such amounts then due and payable hereunder to such Bank or the Swingline Bank, as the case may be, as such Bank or the Swingline Bank, as the case may be, may determine). Each payment received by the Administrative Agent under this Agreement or any Note for account of a Bank or the Swingline Bank shall be paid promptly to such Bank or the Swingline Bank, as the case may be, in immediately available funds, and, in the case of principal or interest on any Loan, for account of such Bank's or the Swingline Bank's, as the case may be, 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

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herein: (a) each borrowing of Syndicated Loans of a particular Class from the Banks under Section 2.01 hereof shall be made from the Banks, each payment of Fees under Sections 2.05(a) and (b) 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 respective Commitments of the Banks, pro rata according to the amounts of their respective Commitments; (b) the making, Conversion and Continuation of Revolving Loans, Series I Term Loans and Series II Term Loans of a particular Type (other than Conversions provided for by Section 5.04 hereof) shall be made pro rata among the relevant Banks according to the amounts of their respective Revolving Credit, Series I Term Loan and Series II Term Loan Commitments (in the case of making of Loans) or their respective Revolving Credit, Series I Term

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Loans and Series II Term Loans of a particular Type (other than Conversions provided for by Section 5.04 hereof) shall be made pro rata among the relevant Banks according to the amounts of their respective Revolving Credit, Series I Term Loan and Series II Term Loan Commitments (in the case of making of Loans) or their respective Revolving Credit, Series I Term Loan and Series II Term Loans (in the case of Conversions and Continuations of Loans); (c) except as otherwise provided in Section 5.04 hereof, Eurodollar Loans having the same Interest Period shall be allocated pro rata among the Banks according to the amounts of their respective Commitments; (d) each payment or prepayment of principal of Syndicated Loans of any Class and Type 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 of such Class and Type held by the Banks; and (e) each payment of interest on Syndicated Loans of any Class and Type by the Company shall be made for account of the Banks pro rata in accordance with the amounts of interest on Syndicated Loans of such Class and Type due and payable to the respective Banks.

4.03 Computations. Interest on Competitive Bid Loans and Eurodollar

Loans, and Fees payable pursuant to Section 2.05 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 Administrative Agent. Unless the

Administrative 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

Administrative 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 Administrative 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 Administrative Agent, the Administrative 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 Administrative Agent, the recipient(s) of such payment shall, on demand, repay to the Administrative Agent the amount so made available together with interest thereon in respect of each day

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during the period commencing on the date such amount was so made available by the Administrative Agent until the date the Administrative 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

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to (and without limitation of) any right of set-off, bankers' lien or counterclaim a Bank or the Swingline Bank may otherwise have, each Bank and the Swingline Bank shall be entitled, at its option, to offset balances held by it or any of its affiliates at any of its 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 or the Swingline Bank's Loans, or any other amount payable to such Bank or the Swingline Bank (as the case may be) 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 Administrative Agent thereof, provided that such Bank's or the Swingline

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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 of any Class owing to it by the Company, or in respect of its interest in any Swingline Loan, through the exercise of any right of set-off, bankers' 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 of or interest on its Syndicated Loans of such Class, or in respect of its interest in any Swingline Loan, then due hereunder by the Company than the percentage received by any other Bank, 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 of such Class or Swingline Loans, respectively, owing to 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 of such Class or Swingline Loans, respectively, owing to 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 such 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 of set-off, banker's lien or

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counterclaim 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 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.

4.06 Minimum Amounts. Except for mandatory prepayments pursuant to  
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Section 2.10 hereof and Conversions or prepayments made pursuant to Section 5.04 hereof, each borrowing, Conversion and partial prepayment of principal of Base Rate Loans shall be in an aggregate amount at least equal to \$10,000,000 or in integral multiples of \$1,000,000 in excess thereof and each borrowing, Conversion and partial prepayment of principal of Eurodollar Loans shall be in an aggregate amount at least equal to \$25,000,000 or in integral multiples of \$5,000,000 in excess thereof (borrowings, Conversions and prepayments of or into Loans of different Types or, in the case of Eurodollar Loans, having different Interest Periods at the same time hereunder to be deemed separate borrowings, Conversions and prepayments for purposes of the foregoing, one for each Type or Interest Period). Anything in this Agreement to the contrary notwithstanding, the aggregate principal amount of Eurodollar Loans having the same Interest Period shall be in an amount at least equal to \$25,000,000 or in integral multiples of \$1,000,000 in excess thereof and, if any Eurodollar Loans would otherwise be in a lesser principal amount for any period, such Loans shall be Base Rate Loans during such period.

4.07 Certain Notices. Except as otherwise provided in Section 2.03  
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hereof with respect to Competitive Bid Loans, notices by the Company to the Administrative Agent of terminations or reductions of the Commitments, of borrowings, Conversions, Continuations and optional prepayments of Loans and of Classes of Loans, of Types of Loans and of the duration of Interest Periods shall be irrevocable and shall be effective only if received by the Administrative Agent not later than 11:00 a.m. New York time on the number of Business Days prior to the date of the relevant termination, reduction, Conversion, Continuation or prepayment or the first day of such Interest Period specified below:

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Notice -----	Number of Business Days Prior -----
Termination or reduction of Commitments	3
Borrowing or prepayment of, or Conversions into, Base Rate Loans	1
Borrowing or optional prepayment of, Conversions into, Continuations as, or duration of Interest Period for, Eurodollar Loans	3

provided that, with respect to the Syndicated Loans made on the Amendment Effective Date, notice of the borrowing of, and the duration of Interest Periods for, Eurodollar Loans may be given prior to the Amendment Effective Date so long as the Company shall have indemnified the Banks on terms comparable to those contained in Section 5.05 hereof.

Each such notice of termination or reduction shall specify the amount and the Class of the Commitments to be terminated or reduced. Each such notice of borrowing, Conversion, Continuation or optional prepayment shall specify the Class of Loans to be borrowed, Converted, Continued or prepaid and the amount (subject to Section 4.06 hereof) and Type of each Loan to be borrowed, Converted, Continued or prepaid (and, in the case of a Conversion, the Type of Loan to result from such Conversion) and the date of borrowing, Conversion, Continuation or optional prepayment (which shall be a Business Day). Each such notice of the duration of an Interest Period shall specify the Loans to which such Interest Period is to relate. The Administrative Agent shall promptly notify the Banks of the contents of each such notice. In the event that the Company fails to select the Type of Loan, or the duration of any Interest Period for any Eurodollar Loan, within the time period and otherwise as provided in this Section 4.07, such Loan (if outstanding as a Eurodollar Loan) will be automatically Converted into a Base Rate Loan on the last day of the then current Interest Period for such Loan or (if outstanding as a Base Rate Loan) will remain as, or (if not then outstanding) will be made as, a Base Rate Loan.

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Section 5. Yield Protection and Illegality.

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5.01 Additional Costs.

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(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"),

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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

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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 Administrative Agent), suspend the obligation of such Bank to make additional or Continue Loans of the Type with respect to which such compensation is requested, or to Convert Loans of any Type into Loans of such Type, 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

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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 Administrative Agent), the obligation of such Bank to make additional or Continue, or to Convert Loans of any other Type into, 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 issued after the Restatement Date 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 30 days after the date that 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,

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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 Administrative 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 Administrative 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

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(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 Administrative 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 Administrative 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

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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 Administrative 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

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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 Administrative Agent, all Affected Loans of such Bank then outstanding shall be automatically Converted into Base Rate Loans on the last day(s) of the then current Interest Period(s) for Affected Loans (or, in the case of a Conversion required by Section 5.01(b) or 5.03 hereof, on such earlier date as such Bank may specify to the Company with a copy to the Administrative Agent)) and, unless and until such Bank gives notice as provided below that the circumstances specified in Section 5.01 or 5.03 hereof that gave rise to such Conversion no longer exist:

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(a) to the extent that such Bank's Affected Loans have been so Converted, all payments and prepayments of principal that would otherwise be applied to such Bank's Affected Loans shall be applied instead to its Base Rate Loans; and

(b) all Loans that would otherwise be made or Continued by such Bank as Loans of the Affected Type shall be made or Continued instead as Base Rate Loans, and all Loans of such Bank that would otherwise be Converted into Loans of the Affected Type shall be Converted instead into (or shall remain as) Base Rate Loans.

If such Bank gives notice to the Company with a copy to the Administrative Agent that the circumstances specified in Section 5.01 or 5.03 hereof that gave rise to the Conversion of such Bank's Affected Loans pursuant to this Section 5.04 no longer exist (which such Bank agrees to do promptly upon such circumstances ceasing to exist) at a time when Loans of the Affected Type made by other Banks are outstanding, such Bank's Base Rate Loans shall be automatically Converted, on the first day(s) of the next succeeding Interest Period(s) for such outstanding Loans of the Affected Type, to the extent necessary so that, after giving effect thereto, all Loans held by the Banks holding Loans of the Affected Type and by such Bank are held pro rata (as to principal amounts, Types and Interest Periods) in accordance with their respective Commitments.

5.05 Compensation. The Company shall pay to the Administrative Agent

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for account of each Bank, upon the request of such Bank through the Administrative 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, mandatory or optional prepayment 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.

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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.  
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6.01 Conditions to Effectiveness. The effectiveness of the amendment  
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and restatement of the Existing Credit Agreement provided for hereby is subject to the receipt by the Administrative Agent of the following documents (with, in the case of paragraphs (d) and (e) below, sufficient signed copies for each Bank and the Administrative Agent) and the occurrence of the following events, as the case may be, each of which shall be satisfactory to the Administrative Agent (and to the extent specified below, to the Majority Banks or to each Bank) in form and substance:

(a) Corporate Documents. Certified copies of the Company's charter  
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and by-laws and of all corporate action taken by the Company approving each Credit Document and the borrowings by the Company hereunder (including, without limitation, a certificate setting forth the resolutions of the Company's Board of Directors adopted in respect of the transactions contemplated thereby).

(b) Incumbency Certificate. A certificate of the Secretary of the  
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Company, dated the Amendment Effective Date, in respect of the incumbency and specimen signature of each of the officers (i) who is authorized to sign the Credit Documents on the Company's behalf and (ii) who will, until replaced by another officer or officers duly authorized for that purpose, act as the Company's representative for the purposes of signing documents and giving notices and other communications in connection with the Credit Documents and the transactions contemplated thereby. The Administrative Agent and each of the Banks may

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conclusively rely on such certificate until it receives notice in writing from the Company to the contrary.

(c) Officer's Certificate. A certificate of a senior officer of the  
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Company, dated the Amendment Effective Date, to the effect set forth in clauses (a) and (b) of Section 6.02 hereof (after giving effect to the consummation of the Acquisition).

(d) Opinions. (i) An opinion of Sheppard, Mullin, Richter & Hampton  
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LLP, special California counsel to the Company, dated the Amendment Effective Date, substantially in the form of Exhibit B-1 hereto and (ii) an opinion of Richard R. Molleur, Esq., Corporate Vice President and General Counsel of the Company, dated the Amendment Effective Date, substantially in the form of Exhibit B-2 hereto (and the Company hereby instructs each such counsel to deliver such opinions to the Banks and the Administrative Agent).

(e) Opinion. An opinion of Milbank, Tweed, Hadley & McCloy, special  
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New York counsel to the Banks and the Swingline Bank, dated the Amendment Effective Date, substantially in the form of Exhibit C hereto.

(f) Notes. The Notes, duly completed and executed and delivered.  
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(g) CIBC Receivables Sale Agreements. A true and complete copy of  
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the CIBC Receivables Sale Agreements as in effect on the Amendment Effective Date.

(h) Asset Purchase Agreement. (i) A true and complete copy of the  
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Asset Purchase Agreement (which shall include copies of all amendments, schedules, exhibits and other attachments thereto and contain terms and conditions in form and substance satisfactory to the Managing Banks in their reasonable determination), together with true and complete copies of each document, certificate and opinion referred to in or delivered in connection with such Asset Purchase Agreement, and (ii) a certificate of a senior officer of the Company, dated the Amendment Effective Date, to the effect that (x) the Asset Purchase Agreement has been duly executed and delivered by each of the parties thereto and is in full force and effect on the Amendment Effective Date and (y) the Asset Purchase Agreement has not been amended or otherwise modified, or executed and delivered in a form other than the form heretofore delivered to the Administrative Agent prior to the Restatement Date.

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(i) Consummation of the Acquisition. A certificate of a senior

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officer of the Company, dated the Amendment Effective Date, to the effect that (i) the Acquisition has been (or will concurrently be) consummated in accordance with the Asset Purchase Agreement, (ii) the representations and warranties contained in the Asset Purchase Agreement (including, without limitation, in all certificates and other writings, if any, delivered pursuant thereto) by the Company are true and correct on and as of the Amendment Effective Date as if made on and as of the Amendment Effective Date (or if such representation or warranty is expressly stated to have been made as of a specific date, as of such specific date), and (iii) all conditions to the consummation of the Acquisition as set forth in the Asset Purchase Agreement have been (or will concurrently be) fulfilled or waived by the parties thereto (which waiver, in the case of any waiver by the Company, shall be given only with the consent of the Managing Banks, and which conditions, in the case of conditions to be fulfilled to the satisfaction of the Company, shall be fulfilled to the satisfaction of the Managing Banks).

(j) Terms of Acquisition. A certificate of a senior officer of the

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Company, dated the Amendment Effective Date to the effect that (i) the cash portion of the purchase price paid by the Company for the Acquisition does not exceed \$3,000,000,000 plus or minus the aggregate purchase price adjustment as provided in the Asset Purchase Agreement, (ii) assuming that the Acquisition had been consummated on September 30, 1995, the amount of pension liabilities that would have been assumed by the Company in connection with the Acquisition (excluding those arising under the Seller's "Executive Plan" up to \$33,000,000) would not have exceeded \$478,000,000 and the amount of other post-retirement benefits liabilities that would have been assumed by the Company in connection with the Acquisition would not have exceeded \$110,000,000, in each case as reflected on the balance sheet of the Acquired Business as at September 30, 1995 (subject to adjustments at the closing of the Acquisition and to the restatement thereof on the books of the Company) and (iii) the fees and expenses relating to the Acquisition will not exceed \$135,000,000.

(k) Approvals and Consents. A certificate of a senior officer of the

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Company, dated the Amendment Effective Date, to the effect that all necessary governmental and third party filings, licenses, permits, consents and approvals in connection with the Acquisition and the transactions contemplated hereby have been obtained by the Company and are in full force and effect on the Amendment Effective Date, except that consents of the Government are required

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with respect to the assignment to the Company of contracts between the Acquired Business and the Government, which consents the Company has no reason to believe will not be obtained in due course.

(l) Payment of Fees and Expenses. Evidence that (i) all principal of

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and interest on the loans made by the Existing Banks under the Existing Credit Agreement shall have been (or will concurrently be) paid in full and (ii) all fees and expenses payable to the Existing Banks and the Administrative Agent under the Existing Credit Agreement accrued to the Amendment Effective Date and unpaid and all costs, fees and expenses, and all other compensation contemplated by the Credit Documents and by the Fee Letter dated January 2, 1996 between the Company and the Agents and the Co-Arrangers identified therein (including, without limitation, legal fees and expenses) shall have been (or will concurrently be) paid by the Company to the extent due.

(m) Financial Information. Not less than five Business Days prior to

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the Restatement Date, true, correct and complete copies of the financial statements and opinions referred to in clauses (a) and (b) of Section 7.02 hereof.

(n) Litigation. Except as set forth on Schedule III hereto, no

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litigation by any entity (private or governmental) shall be pending or threatened against the Company or the Acquired Business (a) with respect to this Agreement or any other Credit Document or (b) which the Majority Banks shall reasonably determine would be likely to have a Material Adverse Effect.

(o) Solvency Certificate. A certificate of a senior financial

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officer of the Company, dated the Amendment Effective Date, to the effect, to the best of his or her actual knowledge, set forth in clause (d) of Section 7.02 hereof.

(p) Miscellaneous. Such other documents as the Administrative Agent,

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any Bank, the Swingline Bank or special New York counsel to the Banks and the Swingline Bank may reasonably request.

The Administrative Agent shall promptly notify each Bank of the occurrence of the Amendment Effective Date.

6.02 Initial and Subsequent Loans. The obligation of any Bank to

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make any Loan (including, without limitation, any Competitive Bid Loan and its initial Syndicated Loan) and the obligation of the Swingline Bank to make any Swingline Loan (including its initial Swingline Loan) to the Company upon the

Credit Agreement

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occasion of each borrowing hereunder is subject to the further conditions precedent that, as of the date of such Loan and after giving effect thereto:

(a) no Default shall have occurred and be continuing; and

(b) the representations and warranties made by the Company in Section 7 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 and each Swingline Borrowing Notice 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 Administrative Agent prior to the date of such borrowing, as of the date of such borrowing).

Section 7. Representations and Warranties.  
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7.01 Corporate Existence. Each of the Company and the Material  
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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.

7.02 Certain Financial Information.  
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(a) Company Financial Condition. The consolidated statement of  
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financial position of the Company and the Subsidiaries as at December 31, 1995 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 & Touche LLP, heretofore furnished to each of the Banks, are complete and present fairly, in all material respects, the consolidated financial condition of the Company and the Subsidiaries as at said date and the consolidated results of their operations for such fiscal year, 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

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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 Restatement Date, since December 31, 1995, 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.

(b) Acquired Business Financial Condition. The Company has

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heretofore furnished to the Banks the combined statement of financial position of the Acquired Business as at December 31, 1994 and as at December 31, 1995 and the respective related combined statements of earnings, cash flows and changes in invested equity of the Acquired Business for the period ended on such dates and for the period ended on December 31, 1993, with the opinion thereon of Price Waterhouse LLP. As of the Restatement Date, except as expressly disclosed in writing to the Banks prior to the Restatement Date, since December 31, 1995, there has been no material adverse change in the combined financial condition or operations, or the prospects or business taken as a whole, of the Acquired Business from that set forth in said financial statements as at December 31, 1995.

(c) Projections. The Company has heretofore furnished to each of the

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Banks projected consolidated financial statements of the Company and the Subsidiaries, on an annual basis for the fiscal years of the Company ending in each of 1996, 1997, 1998, 1999, 2000, 2001 and 2002. Such projected financial statements set forth projected consolidated balance sheets of the Company and the Subsidiaries and projected consolidated statements of operations, changes in shareholders' equity and cash flows of the Company and the Subsidiaries (after giving effect to the Acquisition and the related financing thereof, assuming the consummation of the Acquisition on March 31, 1996) for the respective fiscal periods covered thereby, subject to the caveats and explanations set forth in the Information Memorandum. Such projected financial statements are based upon assumptions believed by the Company to be reasonable as of the Restatement Date, which assumptions are expressly disclosed therein.

(d) Solvency, Etc. On and as of the Amendment Effective Date on a

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pro forma basis after giving effect to the consummation of the Acquisition and all liabilities assumed and incurred and to be assumed and incurred by the Company in connection therewith, (x) the sum of the assets of the Company, at a fair valuation, will exceed its debts, (y) the Company will not have assumed and incurred nor intended to, or believes that it will not, assume and incur debts beyond its ability to pay such debts as such debts mature and (z) the Company will have sufficient capital with which to conduct its business. For

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purposes of this Section 7.02(d), "liability" means any liability on a claim, and "claim" means (i) right to payment whether or not such a right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured; or (ii) right to an equitable remedy for breach of performance if such breach gives rise to a payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured.

7.03 Litigation. There are no legal or arbitral proceedings or any

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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 Effect except as heretofore disclosed to the Banks in the Company's Annual Report on Form 10-K for the calendar year ended December 31, 1995, copies of which have been furnished to the Banks or in Schedule III hereto.

7.04 No Breach. Except as expressly disclosed in writing to the

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Banks on or before the Restatement Date, none of the execution and delivery of any of the Credit Documents, the borrowing of the Loans hereunder, the consummation of the Acquisition and the other 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 or the Acquired Business is a party or by which any of them is bound or to which any of them 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 or the Acquired Business pursuant to the terms of any such agreement or instrument.

7.05 Corporate Action. The Company has all necessary corporate power

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and authority to execute, deliver and perform its obligations under the Credit Documents and to borrow the Loans hereunder; and the execution, delivery and performance by the Company of the Credit Documents and the borrowing of the Loans hereunder have been duly authorized by all necessary corporate action on its part; and this Agreement has been duly and validly executed and delivered by the Company and constitutes, and each of the other Credit Documents (assuming in the case of the Notes, execution and delivery thereof for value) will constitute, legal, valid and binding obligations of the Company, enforceable in accordance with its terms, except as such enforceability may be

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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. Except as expressly disclosed in writing to the

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Banks prior to the Restatement Date, no authorizations, approvals, consents or licenses of, and no filings or registrations with, any governmental or regulatory authority or agency are necessary to authorize or are necessary in connection with (i) the execution, delivery and performance of any Credit Document, (ii) the legality, validity, binding effect or enforceability of any Credit Document or (iii) for the borrowing of the Loans hereunder.

7.07 Use of Proceeds, Etc. Neither the making of any Loan hereunder,

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nor the use of the proceeds thereof, will violate the provisions of Regulation G, U or X of the Board of Governors of the Federal Reserve System and no part of the proceeds of any Loan will be used to purchase or carry any Margin Stock in violation of Regulation U or X or to extend credit for the purpose of purchasing or carrying any Margin Stock in violation of Regulation U or X.

7.08 ERISA. Each of the Company and the ERISA Affiliates has

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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

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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

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Company and the 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

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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 Amendment Effective Date, no default

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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

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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, 1995 hereinabove described in Section 7.02(a) hereof (other than Properties disposed of in the ordinary course of business), subject to no Lien of any kind except Liens permitted by Section 8.10 hereof.

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7.12 Environmental Matters.  
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(a) Except as disclosed in the Company's Annual Report on Form 10-K for the calendar year ended December 31, 1995 or in the Disclosure Schedule, neither the Company nor any Subsidiary nor the Acquired Business (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 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, (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, or the Acquired Business, is or may be liable, which remedial action would have a Material Adverse Effect or (iv) has received notice that the Company or any Subsidiary, or the Acquired Business, is or may be liable to any Person under the Comprehensive Environmental Response, Compensation, and Liability Act, as amended, 42 U.S.C. (S) 9601 et seq.

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("CERCLA"), or any analogous state law, which liability would have a Material Adverse Effect.

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

7.13 True and Complete Disclosure. All factual information (taken  
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as a whole) furnished on or before the Amendment Effective Date by or on behalf of the Company or the Subsidiaries in writing to the Administrative Agent or any Bank (including, without limitation, all factual information contained in the Information Memorandum) for purposes of or in connection with this Agreement or any transaction contemplated herein is, and all other such factual information (taken as a whole) furnished after the Amendment Effective Date by or on behalf of the Company or the Subsidiaries in writing to any Bank will be, true and accurate in all material respects on the date as of which such information is dated or certified and not incomplete

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by omitting to state any material fact necessary to make such information (taken as a whole) not misleading at such time in light of the circumstances under which such information was provided. There is no fact known to the Company which has, or is reasonably likely to have, a Material Adverse Effect which has not been disclosed herein or in such other documents, certificates and statements furnished to the Banks for use in connection with the transactions contemplated hereby.

7.14 Acquisition. On and as of the Amendment Effective Date, all

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material consents and approvals of, and filings and registrations with, and all other actions in respect of, all governmental agencies, authorities or instrumentalities required in order to make or consummate the Acquisition, or otherwise required in connection with the Acquisition, will have been obtained, given, filed or taken and are or will be in full force and effect (or effective judicial relief with respect thereto has been obtained), except that consents of the Government are required with respect to the assignment to the Company of contracts between the Acquired Business and the Government, which consents the Company has no reason to believe will not be obtained in due course. All actions pursuant to or in furtherance of the Acquisition have been and will be taken in compliance with all applicable laws.

7.15 Material Subsidiaries. On and as of the Amendment Effective

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Date on a pro forma basis after giving effect to the consummation of the Acquisition, set forth in Schedule II hereto are all of the Material Subsidiaries of the Company.

7.16 Intercompany Debt. On and as of the Restatement Date, the

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Indebtedness of the Subsidiaries owing to the Company does not exceed \$80,000,000 in the aggregate.

Section 8. Covenants of the Company. The Company agrees that, so

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long as any of the Commitments or the Swingline Commitment 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

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Banks and to the Administrative Agent:

- (a) within 105 days after the end of each fiscal year of the Company,
- (i) a consolidated statement of financial position of the Company and the Subsidiaries as at the close of such fiscal year and consolidated statements of operations, changes in shareholders' equity and cash flows of the Company and the Subsidiaries for such year, certified by Deloitte & Touche LLP or by other independent public accountants selected by the Company and reasonably

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satisfactory to the Administrative Agent and (ii) the Consolidating Financial Statements for such year;

(b) within 60 days after the end of each of the first three fiscal quarters of each fiscal year of the Company, (i) an unaudited consolidated statement of financial position of the Company and the Subsidiaries as at the end of such quarter and unaudited consolidated statements of operations, changes in 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) the Consolidating Financial Statements for such fiscal quarter;

(c) [Intentionally Omitted];

(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 SEC 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 Administrative 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 making the examination necessary for their opinion on such financial statements, nothing came to their attention that caused them to believe that the Company was not in compliance with this Agreement insofar as it relates to accounting matters or, if the contrary is the case, specifying the nature of such non-compliance;

(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, in form and substance satisfactory to the Administrative Agent, of the financial

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calculations required in Sections 8.06, 8.08, 8.10, 8.12(b), 8.13, 8.14 and 8.15 hereof;

(h) with each of the financial statements required to be delivered under Section 8.01(a) or 8.01(b) hereof, a certificate of an authorized financial or accounting officer of the Company, in form and substance satisfactory to the Administrative Agent, setting forth the Leverage Ratio as at the last day of the fiscal period of the Company as to which such financial statements relate;

(i) (x) promptly after each of Moody's and S&P first either reaffirms or announces revised ratings for the Company Senior Long-Term Debt after the consummation of the Acquisition and (y) thereafter, promptly after (1) either Moody's or S&P first announces or publishes a revised rating for the Company Senior Long-Term Debt or (2) either Moody's or S&P ceases to rate the Company Senior Long-Term Debt, notice thereof;

(j) promptly after any purchase price adjustments under Section 2.3 of the Asset Purchase Agreement, notice thereof setting forth a calculation thereof in reasonable detail; and

(k) 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

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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

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Section 8.02 shall prohibit any transaction expressly permitted under Section 8.07 or 8.09 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;

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

(d) maintain all of its Properties used or useful in its business in good working order and condition, ordinary wear and tear excepted.

The Company shall furnish to the Administrative 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 Administrative Agent may reasonably request from time to time.

8.03 Notice of Litigation. The Company shall promptly give notice

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in writing to the Administrative Agent (which shall promptly notify the Banks) of any litigation or proceeding against the Company or any Subsidiary if in the opinion of the General Counsel of the Company (or any individual acting in such capacity) such action or proceeding is reasonably likely to have a Material Adverse Effect. Without limiting the generality of the foregoing, the Company shall give notice in writing to the Administrative Agent (which will promptly notify each Bank) of the assertion of any claim by any Person of violation of or non-compliance with any Environmental Laws against, or with respect to the activities of, the Company or any Subsidiary, and notice of any alleged violation of or non-compliance with any Environmental Laws or any permits, licenses or authorizations under Environmental Laws if in the opinion of the General Counsel of the Company (or any individual acting in such capacity) such claim or violation or non-compliance is reasonably likely (either individually or in the aggregate) to have a Material Adverse Effect.

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8.04 Insurance. The Company shall maintain, and cause each

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Subsidiary to maintain, insurance with responsible companies in such amounts and against such risks as is usually carried by owners of similar businesses and Property in the same general area in which the Company or such Subsidiary operates, including reasonable war, comprehensive and commercial risk insurance, when and if available, subject to such deductibles, retentions and self-insurance programs as the Company deems appropriate.

8.05 Access to Books and Properties. The Company shall:

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(a) keep adequate records and books of account, in which complete entries will be made in accordance with generally accepted accounting principles consistently applied; and

(b) 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

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authorize any Restricted Payment if (a) any such Restricted Payment is not paid out of Consolidated Net Income Available for Restricted Payments, (b) at the time of, and immediately after, the making of any such Restricted Payment (or the declaration of any dividend except a stock dividend) a Default has occurred or (c) the making of any such Restricted Payment would cause the Leverage Ratio to exceed the percentage which the Company is required to maintain pursuant to Section 8.13 hereof.

8.07 Dispositions. The Company shall not, and shall not permit any

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Subsidiary to, Dispose of Property having a book value which, together with the book value of all Property theretofore Disposed of since January 1, 1996, equals or exceeds 10% of the total book value of all Property of the Company and the Subsidiaries as at the last day of the Quarterly Period ending on or most recently ended prior to such Disposition, excluding from the operation of this clause: (a) Dispositions between the Company and any Subsidiary or between Subsidiaries in each case for full and adequate consideration, (b) Dispositions of Investments permitted by Section 8.11(e) hereof, (c) Dispositions of obsolete or worn-out Property, (d) Dispositions of Property determined by the Chief Financial Officer of the Company to be no longer useful in the business of

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the Company or any Subsidiary and (e) Dispositions of Property for not less than the fair market value thereof as determined by the Board of Directors of the Company.

8.08 Guarantees. The Company shall not, and shall not permit any

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Subsidiary to, Guarantee any obligation of any Person, or suffer to exist any Guarantee, except that:

(a) the Company may Guarantee any obligation of any Subsidiary;

(b) any Subsidiary may Guarantee any obligation of the Company or any other Subsidiary; and

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

provided that (i) the excess (if any) of (x) the aggregate amount of all

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obligations referred to in clause (c) above (to the extent said obligations do not otherwise constitute Funded Debt) over (y) 5% of Consolidated Shareholders' Equity shall be deemed Funded Debt for the purposes of this Agreement.

8.09 Fundamental Changes and Acquisitions. The Company will not,

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nor will it permit any of the Subsidiaries to, enter into any transaction of merger or consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution).

The Company will not, nor will it permit any of the Subsidiaries to, acquire any business from or all or any significant part of the Property of, or all or any significant part of the capital stock of, or be a party to any acquisition of, any Person.

Notwithstanding the foregoing:

(a) any Subsidiary may be merged or consolidated with or into: (i) the Company if the Company shall be the continuing or surviving corporation or (ii) any other Subsidiary; provided that if any such transaction shall

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be between a Subsidiary and a Wholly-Owned Subsidiary, the Wholly-Owned Subsidiary shall be the continuing or surviving corporation;

(b) during any Investment Grade Rating Period, the Company or any Subsidiary may merge or consolidate with any other Person if (i) in the case of a merger or consolidation of the Company, the Company is the surviving corporation

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and, in any other case, the surviving corporation is a Wholly-Owned Subsidiary and (ii) after giving effect thereto no Default would exist;

(c) the Company may consummate the Acquisition; and

(d) the Company or any of the Subsidiaries may acquire the business of, or all or any significant part of the Property of, or all or any significant part of the capital stock of, or be a party to any acquisition of, any Person engaged in the same or a related line of business as the Company (whether directly or through the merger of a Wholly-Owned Subsidiary with that Person) subject to the following:

(i) so long as the Series I Term Loan remains outstanding, the aggregate cash consideration paid for all such acquisitions since the Amendment Effective Date shall not exceed \$500,000,000;

(ii) at the time of such acquisition, and after giving effect thereto, no Default shall exist; and

(iii) the Company would have been in compliance with Sections 8.14 and 8.15 hereof on a pro forma basis if such acquisition had

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occurred at the beginning of the most recently-ended period of four consecutive fiscal quarters of the Company, and the Company shall have delivered a certificate of a senior accounting or financial officer of the Company to the Administrative Agent prior to such acquisition demonstrating such compliance;

provided that, during any period which is not an Investment Grade Rating

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Period, and notwithstanding the provisions of clause (i) above, the consideration for any such acquisition shall consist exclusively of Equity of the Company.

8.10 Limitation on Liens. The Company shall not, and shall not permit

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any Subsidiary to, create, assume or suffer to exist any Lien on any of its Property, whether now owned or hereafter acquired, except:

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

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(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 already existing on Property acquired after the Restatement Date, and securing obligations assumed, in connection with a transaction permitted by Section 8.09 hereof (and not created in anticipation thereof); and

(f) purchase money Liens on fixed assets (including trust deeds or first mortgages) given substantially concurrently with (or within 90 days after) the acquisition of the fixed assets and Liens existing on such fixed assets at the time of acquisition thereof, conditional sales agreements or other title retention agreements with respect to fixed assets hereafter acquired, and extensions and renewals of any of the same; provided that (i)

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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  
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not assumed by the Company or a Subsidiary) secured by all Liens and agreements permitted by clauses (e) and (f) of this Section 8.10 shall not at any time exceed \$250,000,000.

8.11 Investments. The Company shall not, and shall not permit any  
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Subsidiary to, make any Investment except:

(a) Investments in any Person existing on the Amendment Effective Date;

(b) 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;

(c) Investments made in the ordinary and normal operation of its business as presently conducted;

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

(e) Investments in any Person or Persons, whether domestic or foreign, to the extent covered by Guarantees or insurance covering all political and credit risks issued by the Overseas Private Investment Corporation or another agency of the United States acceptable to the Administrative Agent or by an agency of a foreign government which is rated investment grade by Moody's or S&P; and

(f) other Investments in any Person or Persons, whether domestic or foreign, in amounts which do not exceed in the aggregate at any time outstanding 5% of the consolidated total assets of the Company and the Subsidiaries as at the last day of the most recently completed Quarterly Period, so long as the aggregate amount of Investments in Person(s) that are not Wholly-Owned Subsidiaries does not as at such day exceed 2% of the consolidated total assets of the Company and the Subsidiaries.

8.12 Indebtedness. (a) The Company will not, nor will it permit

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any of its Subsidiaries to, create, incur or suffer to exist any Indebtedness except:

(i) Indebtedness to the Banks hereunder;

(ii) Indebtedness outstanding on the Restatement Date and listed in Schedule IV hereto and refinancings and extensions of any thereof that do not increase the amount of such Indebtedness;

(iii) Subordinated Indebtedness;

(iv) Indebtedness of (x) Subsidiaries to the Company to the extent the Company is permitted by Section 8.11 hereof to make Investments in Subsidiaries or (y) Subsidiaries to other Subsidiaries;

(v) Guarantees permitted by Section 8.08 hereof;

(vi) Indebtedness under Working Capital Credit Lines;

(vii) Indebtedness in respect of letters of credit, banker's acceptances and similar instruments issued or accepted for account of the Company or any Subsidiary in the ordinary course of its business;

(viii) Indebtedness issued pursuant to the Senior Indenture;

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(ix) Indebtedness under Interest Rate Protection Agreements permitted or required by Section 8.18 hereof; and

(x) additional Indebtedness of the Company and the Subsidiaries (including, without limitation, Capital Lease Obligations and other Indebtedness secured by Liens permitted under clauses (e) and (f) of Section 8.10 hereof) up to but not exceeding \$250,000,000 in the aggregate at any one time outstanding.

(b) The Company will not permit the Indebtedness of all of the Subsidiaries (other than Indebtedness owing to the Company or another Subsidiary) to exceed \$100,000,000 in the aggregate at any one time outstanding.

8.13 Leverage Ratio. The Company shall not permit the Leverage

Ratio to exceed the following respective percentages at any time during the following respective periods:

TABLE USED HERE AND IN NEXT TWO PARAGRAPHS.

Period -----	Percentage -----
Amendment Effective Date to December 30, 1996	76.0%
December 31, 1996 to December 30, 1997	74.0%
December 31, 1997 to December 30, 1998	70.0%
December 31, 1998 to December 30, 1999	67.5%
December 31, 1999 to December 30, 2000	62.5%
December 31, 2000 and thereafter	60.0%

8.14 Funded Debt to Cash Flow Ratio. The Company will not permit the

Funded Ratio Debt to Cash Flow Ratio to exceed the following respective ratios at any time during the following respective periods:

Period -----	Ratio -----
Amendment Effective Date to December 30, 1997	5.00 to 1
December 31, 1997 to	

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December 30, 1998	4.75 to 1
December 31, 1998 to December 30, 1999	4.50 to 1
December 31, 1999 to December 30, 2000	4.25 to 1
December 31, 2000 to December 30, 2001	3.75 to 1
December 31, 2001 and thereafter	3.25 to 1

8.15 Fixed Charge Coverage Ratio. The Company will not permit the  
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Fixed Ratio Charge Coverage Ratio to be less than the following respective  
ratios at any time during the following respective periods:

Period -----	Ratio -----
Amendment Effective Date to March 31, 1998	1.70 to 1
From April 1, 1998 to March 31, 1999	2.00 to 1
From April 1, 1999 to March 31, 2001	2.25 to 1
From April 1, 2001 and thereafter	2.50 to 1

8.16 Use of Proceeds. The Company shall use the proceeds of the  
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Loans hereunder to finance the Acquisition, to refinance Indebtedness of the  
Company under the Existing Credit Agreement, to make Capital Expenditures, to  
finance acquisitions permitted by Section 8.09 hereof and for working capital  
and in compliance with all applicable legal and regulatory requirements,  
including, without limitation, Regulations U and X, the Securities Act and the  
Exchange Act; provided that the proceeds of any Swingline Loan may not be used  
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to repay any other Swingline Loan.

8.17 Margin Stock. The Company shall not permit more than 25% of the  
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value (as determined by any reasonable method) of the Property of the Company  
and the Subsidiaries subject to the restrictions of Section 8.07, 8.09 or 8.10  
hereof (or any similar restriction) to be represented by margin stock (within  
the meaning of Regulation U or X).

8.18 Interest Rate Protection Agreements.  
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(a) The Company will not permit any of its Subsidiaries to enter into or become obligated in respect of any Interest Rate Protection Agreement.

(b) Not later than 120 days after the Amendment Effective Date, the Company shall cause, and thereafter maintain, through a combination of Interest Rate Protection Agreements and fixed rate Funded Debt, the effective fixed rate component of its Funded Debt to be approximately equal to or greater than 50%.

8.19 Issuance of Subordinated Debt or Equity. On or before the Series

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I Term Loan Final Maturity Date, the Company shall issue for not less than \$500,000,000 in cash either (a) Subordinated Indebtedness, (b) Equity or (c) a combination of Subordinated Indebtedness and Equity, the net available proceeds of which shall be applied as provided in Section 2.10(f)(i) hereof.

8.20 Modifications of Certain Documents. The Company will not consent

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to any modification, supplement or waiver of any of the provisions of a Permitted Receivables Sale Agreement, the Senior Indenture or any agreement, instrument or other document evidencing or relating to Subordinated Indebtedness, in each case without the prior consent of the Managing Banks.

8.21 Subsidiary Equity Issuance. The Company shall not permit any

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Subsidiary to issue Equity to any Person other than the Company or a Wholly-Owned Subsidiary except (a) directors' qualifying shares and (b) in connection with the establishment or capitalization of a bona fide joint venture with the Person or Persons to whom such Equity is issued.

8.22 Ratings by Moody's and S&P. The Company will at all times use

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its best efforts to cause Moody's and S&P to rate the Company Senior Long-Term Debt.

Section 9. Events of Default. If one or more of the following

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events (herein called "Events of Default") shall occur and be continuing:

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(a) The Company shall default in the payment of any principal of any Loan when due; 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 Administrative Agent when due which nonpayment shall have continued for a period of two Business Days or more; or

(b) (i) Default by the Company or any Subsidiary in the payment of any Indebtedness of the Company or any

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Subsidiary, (ii) any event specified in any note, agreement, indenture or other document evidencing or relating to any Indebtedness shall occur if the effect of such event is to cause, or (with the giving of any notice or the lapse of time or both) to permit the holder or holders of such Indebtedness (or a trustee or agent on behalf of such holder or holders) to cause, such Indebtedness to become due prior to its stated maturity or (iii) any event specified in any Interest Rate Protection Agreement 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, termination or liquidation payment or payments to become due; except, in each case that may otherwise be covered by clauses (i) or (ii) of this paragraph (b), for a default on Indebtedness or payments not exceeding \$50,000,000 in an aggregate amount; or

(c) Any representation, warranty or certification made or deemed made in any of the Credit Documents by the Company or in the Asset Purchase Agreement by any of the parties thereto, or any certificate furnished to any Bank or the Administrative Agent or the Swingline Bank 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(k) or Sections 8.06 through 8.19 (inclusive) hereof; or the Company shall default in the performance of any of its other obligations in this Agreement, under the Asset Purchase Agreement or under the Permitted Receivables Sale Agreements and such default shall continue unremedied for a period of 30 days after notice thereof to the Company by the Administrative Agent or any Bank (through the Administrative 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,

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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

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

(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; or

(l) The combined statement of financial position of the Acquired Business as at December 31, 1995 and the respective related combined statements of earnings, cash flows and changes in invested equity of the Acquired Business for the period ended on such date, with the opinion thereon of Price Waterhouse LLP, furnished to the Banks before the Restatement Date, shall prove to have failed to present fairly, in any material respect, the financial position of the Acquired Business as at such date or the combined results of its operations for the period covered thereby;

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 Administrative Agent, upon request of the Majority Banks or, with respect to the Swingline Commitment, of the Swingline Bank,

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shall, by notice to the Company, cancel the Commitments and/or the Swingline Commitment (and upon any such cancellation of the Swingline Commitment, the Administrative Agent shall give notice thereof to the Banks) and (y) the Administrative Agent, upon request of one or more Banks holding more than 50% of the aggregate outstanding principal amount of Loans or, with respect to the Swingline Loans, upon request of the Swingline Bank, shall, by notice to the Company, declare the principal amount then outstanding of and the accrued interest on such 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 and the Swingline Commitment 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 Administrative 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

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Default or impair any other right of any Bank or the Administrative Agent hereunder or under the Notes.

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Section 10. Agency Provisions.

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10.01 Appointment, Powers and Immunities. Each Bank and the

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Swingline Bank hereby irrevocably appoints and authorizes the Administrative Agent to act as its agent hereunder with such powers as are specifically delegated to the Administrative Agent by the terms of this Agreement, together with such other powers as are reasonably incidental thereto. The Administrative Agent (which term as used in this sentence and in Section 10.05 hereof shall include reference to its affiliates and its own and its affiliates' officers, directors, employees and agents): (a) shall not have any 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 or the Swingline Bank; (b) shall not be responsible to the Banks or the Swingline Bank 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 or 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 Administrative 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 Administrative 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(f) hereof) a written notice of the assignment or transfer thereof shall have been filed with the Administrative Agent, together with the written consent of the Company to such assignment or transfer.

10.02 Reliance. The Administrative Agent shall be entitled to rely

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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 it; and as to any matters not expressly provided for by this Agreement, it 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 and any action taken or

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failure to act pursuant thereto shall be binding on all of the Banks.

10.03 Defaults. The Administrative Agent shall not be deemed to have

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knowledge of the occurrence of a Default unless it 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 Administrative Agent receives such a notice of the occurrence of a Default, it shall give prompt notice thereof to the Banks. The Administrative Agent shall (subject to Sections 10.01, 10.07 and 11.04 hereof) take such action under the Credit Documents with respect to such Default as shall be directed by the Majority Banks, provided that, unless and

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until it shall have received such directions, it 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 and as the Swingline Bank. With respect to its

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Commitment, its Swingline Commitment and the Loans made by it, Chase (and any successor acting as Administrative Agent) in its capacity as a Bank or the Swingline Bank hereunder shall have the same rights and powers hereunder as any other Bank or the Swingline Bank and may exercise the same as though it were not acting as the Administrative Agent, and the term "Bank" or "Banks" or "Swingline Bank" shall, unless the context otherwise indicates, include each of the Administrative Agent in its individual capacity. Chase (and any successor acting as Administrative 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 Administrative Agent, and Chase and its affiliates may accept fees and other consideration from 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

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Administrative 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 it in any way relating to or arising out of this Agreement or any other Credit Document, or any other documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby (including, without

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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) or the enforcement of any of the terms hereof or of any other Credit Document or of any such other documents, provided that no

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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. Each Bank agrees that it has, independently and

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without reliance on either the Administrative Agent (which term as used in this sentence shall include reference to its affiliates and its own and its affiliates' officers, directors, employees and agents) 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 Administrative 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 Administrative 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 Administrative Agent hereunder, the Administrative 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 its possession or the possession of any of its affiliates.

10.07 Failure to Act. Except for action expressly required of the

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Administrative Agent hereunder, the Administrative 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 Administrative Agent. Subject to the

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appointment and acceptance of a successor as provided below, the Administrative Agent may resign at any time by giving notice thereof to the Banks and the Company and the Administrative Agent may be removed at any time with or without cause by the Majority Banks. Upon any such resignation or

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removal, the Majority Banks shall, after consultation with the Company, have the right to appoint a successor. If no successor 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 Administrative Agent, then the retiring Administrative Agent may, on behalf of the Banks, after consultation with the Company, appoint a successor, which shall be a bank with a combined capital and surplus of at least \$1,000,000,000. Upon the acceptance of any appointment hereunder by a successor, such successor shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. After any retiring Administrative Agent's resignation or removal hereunder, 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 hereunder.

10.09 Agents, Etc. The Documentation Agent and the Syndication Agent

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identified on the cover page of this Agreement shall have no duties or responsibilities hereunder other than as Banks hereunder or, in the case of Chase, as Swingline Bank and as Administrative Agent. Each Managing Bank acts hereunder in its individual capacity and not as agent for the Banks and shall have no duties or responsibilities hereunder to any other Bank (except, in the case of Chase, when it is acting in its capacity as Administrative Agent).

Section 11. Miscellaneous.

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11.01 Waiver. No failure on the part of the Administrative Agent,

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any Bank or the Swingline 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 other Credit Document shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege under this Agreement or any other Credit Document 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

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herein (including, without limitation, any modifications of, or waivers or consents under, this Agreement) shall be given or made by telecopy or in writing (or, with respect to notices given pursuant to Sections 2.02, 2.03 and 4.07 hereof, by telephone, confirmed in writing by telecopy by the close of business on the day the notice is given); and

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telecopied, 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 Administrative Agent and notices given by anyone purporting to be any one of the designated officers may be honored by the Administrative Agent. Except as otherwise provided in this Agreement, all such communications shall be deemed to have been duly given when transmitted by telecopier 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

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the Banks, the Swingline Bank and the Administrative Agent for paying: (a) the reasonable fees and expenses of Milbank, Tweed, Hadley & McCloy, special New York counsel to the Banks and the Swingline Bank, in connection with (i) the preparation, execution and delivery of this Agreement and the other Credit Documents 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 other Credit Documents; (b) all reasonable costs and expenses of the Administrative 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 and the other Credit Documents; (c) all reasonable costs and expenses of the Banks, the Swingline Bank and the Administrative Agent (including reasonable counsels' fees and allocated expenses of in-house lawyers) in connection with the enforcement of this Agreement or any of the other Credit Documents; 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 other Credit Documents or any other document referred to herein or therein.

The Company hereby agrees to indemnify the Administrative Agent and each Bank and their respective directors, officers, employees, attorneys and agents from, and hold each of them harmless against, any and all losses, liabilities, claims, damages or expenses incurred by any of them (including, without limitation, any and all losses, liabilities, claims, damages or expenses incurred by the Administrative Agent to any Bank, whether or not the Administrative Agent or any Bank is a party thereto) arising out of or by reason of any investigation or litigation or other proceedings (including any threatened investigation or litigation or other proceedings) relating to the Loans hereunder or any actual or proposed use by the Company or any of its Subsidiaries of the proceeds of any of

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the Loans hereunder, including, without limitation, the reasonable fees and disbursements of counsel incurred in connection with any such investigation or litigation or other proceedings (but excluding any such losses, liabilities, claims, damages or expenses incurred by reason of the gross negligence or willful misconduct of the Person to be indemnified).

11.04 Amendments, Etc. Any provision of this Agreement may be

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amended, waived or otherwise modified only by an instrument signed by the Company and the Majority Banks, or by the Company and the Administrative Agent acting with the consent of the Majority Banks, and, if the rights or obligations hereunder of the Swingline Bank are affected thereby, the Swingline Bank, and any provision of this Agreement may be waived by the Majority Banks or by the Administrative Agent acting with the consent of the Majority Banks and, if the rights or obligations hereunder of the Swingline Bank are affected thereby, the Swingline Bank; provided that (a) no amendment, waiver or other modification

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shall, unless by an instrument signed by all of the Banks or by the Administrative 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 or the Swingline Commitment, (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 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" or modify in any other manner the number or percentage of the Banks required to make any determinations or waive any rights hereunder or to modify any provision hereof, (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), (b) any amendment of Section 10 hereof, or any provision which increases the obligations of the Administrative Agent hereunder, shall require the consent of the Administrative Agent and (c) any modification of any of the rights or obligations of the Swingline Bank shall require the consent of the Swingline Bank.

11.05 Successors and Assigns. This Agreement shall be binding upon

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and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

Credit Agreement

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11.06 Assignments and Participations.  
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(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 Administrative Agent and the Swingline Bank.

(b) A Bank may assign any of its Loans, its Notes, its Commitments or its interest acquired under Section 2.02(b) hereof in Swingline Loans to any other Person only with the prior consent of the Company and the Administrative Agent and, in the case of its Revolving Credit Commitment or its interest in any Swingline Loans, the Swingline Bank (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

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and after consideration of all relevant factors); provided that (x) any Bank may

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assign to another Bank all or any portion of its Commitments or Loans and (y) unless the Company and the Administrative Agent shall otherwise consent, any such partial assignment (other than to another Bank) shall be in an aggregate principal amount equal to \$10,000,000 or any integral multiple of \$1,000,000 in excess thereof. For purposes of making the determination described in the first sentence of this Section 11.06(b) of whether to give its consent to an assignment by any Bank, the Company (i) recognizes that the initial aggregate amount of the Commitments of such Bank may exceed significantly the final amount that such Bank intends to hold on a long term basis and (ii) agrees to consider the targeted final hold amount of such Bank as disclosed to the Company by such Bank. Upon written notice to the Company and the Administrative Agent and (if necessary) the Swingline Bank 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 Commitments and Loans assigned in detail reasonably satisfactory to the Administrative Agent) and upon the effectiveness of any assignment consented to by the Company and the Administrative Agent and (if necessary) the Swingline Bank, the assignee shall have, to the extent of such assignment (unless otherwise provided in such assignment with the consent of the Company and the Administrative Agent and the Swingline Bank), the obligations, rights and benefits of a Bank hereunder holding the Commitments and Loans and interests in Swingline Loans (or portions thereof) assigned to it (in addition to the Commitments and Loans, if any, theretofore held by such assignee). Upon the effectiveness of any assignment of any of its Commitments or Loans, the assignor Bank or the assignee (as agreed between them)

Credit Agreement  
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shall pay to the Administrative Agent a transfer fee in an amount equal to \$3,000; provided that the assignee Bank shall pay any transfer fee payable in -----  
connection with any assignment effected pursuant to Section 2.04(e) hereof.

(c) The Swingline Bank may not (except as provided in Section 2.02(b) hereof) assign or sell participations in all or any part of its Swingline Loans, its Swingline Note or its Swingline Commitment; provided that the Swingline Bank may assign to another Bank all of its obligations, rights and benefits in respect of its Swingline Loans, its Swingline Note and its Swingline Commitment. Upon the effectiveness of any such assignment, the assignee shall have the obligations, rights and benefits of the Swingline Bank hereunder holding the Swingline Commitment and Swingline Loans assigned to it, and the assigning Swingline Bank shall be released from its Swingline Commitment so assigned.

(d) 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 any of its Commitments, 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 or interest on the related Loan or Loans, (iii) the reduction of any payment of principal thereof, (iv) the reduction of the rate at which either interest is payable thereon or (if the participant is entitled to any part thereof) commitment fee or facility fee is payable hereunder to a level below the rate at which the participant is entitled to receive interest or commitment fee or facility fee (as the case may be) in respect of such participation or (v) take any other action that, under this Agreement, requires the consent or approval of all of the Banks.

Credit Agreement  
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(e) A Bank may furnish any 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), subject to the provisions of Section 11.11 hereof.

(f) 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; Submission to Jurisdiction; Waiver of Jury Trial. THIS AGREEMENT AND THE NOTES SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK. THE COMPANY HEREBY SUBMITS TO THE NONEXCLUSIVE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK AND OF ANY NEW YORK STATE COURT SITTING IN NEW YORK COUNTY FOR THE PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE OTHER CREDIT DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY. THE COMPANY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. 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 Administrative Agent agrees (on behalf of itself and each of its

Credit Agreement

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 Administrative Agent, provided that nothing herein shall limit

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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 Administrative Agent, (c) to bank examiners, auditors or accountants, (d) to the Administrative Agent or any other Bank, (e) in connection with any litigation to which any one or more of the Banks or the Administrative 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,

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further, that (i) unless specifically prohibited by applicable law or court order, each Bank and the Administrative 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 Administrative Agent be obligated or required to return any materials furnished by the Company; and, provided, finally, that

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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 Restatement Date), 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.

Credit Agreement  
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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

NORTHROP GRUMMAN CORPORATION

By /s/ James L. Sanford

-----  
Name: James L. Sanford  
Title: Assistant Treasurer

Address for Notices:

Northrop Grumman Corporation  
1840 Century Park East  
Los Angeles, California 90067

Attention: Albert Myers  
Corporate Vice President and  
Treasurer

Telecopier No.: 310-553-2076

Telephone No.: 310-201-3070

Credit Agreement

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SWINGLINE COMMITMENT

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\$100,000,000

THE BANKS

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THE CHASE MANHATTAN BANK

(NATIONAL ASSOCIATION)

By /s/ Richard C. Smith

-----

Title: Vice President

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

Telecopier No.: 212-552-1457

Telephone No.: 212-552-0667

Credit Agreement

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CHEMICAL BANK

By /s/ James B. Treger

-----  
Title: Vice President

Lending Office for all Loans:

Chemical Bank  
270 Park Avenue  
New York, New York 10017

Address for Notices:

Chemical Bank  
270 Park Avenue  
New York, New York 10017

Attention: James Treger

Telecopier No.: 212-270-7138

Telephone No.: 212-270-2567

Credit Agreement

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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. 4th Floor  
Concord, California 94520

Address for Notices:

Bank of America National Trust  
and Savings Association  
Credit Products LA II #5618  
11th Floor  
555 South Flower Street  
Los Angeles, California 90071

Attention: Lori Y. Kannegieter

Telecopier No.: 213-228-2756

Telephone No.: 213-228-6379

Credit Agreement  
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MORGAN GUARANTY TRUST COMPANY  
OF NEW YORK

By /s/ Robert M. Osieski

-----  
Title: Vice President

Lending Office for Base  
Rate Loans:

Morgan Guaranty Trust Company  
of New York  
60 Wall Street Branch  
c/o J.P Morgan Securities Inc.  
Loan Operations - 3rd Floor  
500 Stanton-Christiana Road  
Newark, Delaware 19713

Lending Office for  
Eurodollar Loans:

Morgan Guaranty Trust Company  
of New York  
Nassau, Bahamas Office  
c/o J.P Morgan Securities Inc.  
Euro-Loan Servicing Unit  
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: Robert M. Osieski  
Diana H. Imhof

Telecopier No.: 212-648-5014

Telephone No.: 212-648-7173  
212-648-6948

Credit Agreement

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BANK OF MONTREAL

By /s/ Claudia C. Heldring

-----  
Title: Director

Lending Office for all Loans:

Bank of Montreal  
115 S. LaSalle Street  
Chicago, Illinois 60606

Address for Notices:

Bank of Montreal  
115 S. LaSalle Street  
Chicago, Illinois 60606

Attention: Claudia Heldring

Telecopier No.: 312-750-3798

Telephone No.: 312-750-3854

Credit Agreement

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THE BANK OF NEW YORK

By /s/ Lisa Y. Brown

-----  
Title: Vice President

Lending Office for all Loans:

The Bank of New York  
10990 Wilshire Boulevard  
Suite 1125  
Los Angeles, CA 90024

Address for Notices:

The Bank of New York  
One Wall Street  
22nd Floor  
New York, NY 10286

Attention: Ms. Dawn Hertling

Telecopier No.: 212-635-6877

Telephone No.: 212-635-6742

Credit Agreement

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THE BANK OF NOVA SCOTIA

By /s/ Maarten Van Otterloo

-----  
Title: Senior Relationship  
Manager

Lending Office for all Loans:

The Bank of Nova Scotia  
101 California Street  
48th Floor  
San Francisco, California 94111

Address for Notices:

The Bank of Nova Scotia  
Suite 2700  
600 Peachtree N.E.  
Atlanta, Georgia 30308

Attention: George Wong

Telecopier No.: 404-888-8998

Telephone No.: 404-877-1553

with a copy to:

The Bank of Nova Scotia  
101 California Street  
48th Floor  
San Francisco, California 94111

Credit Agreement

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BANKERS TRUST COMPANY

By /s/ Dana Klein

-----  
Title: Vice President

Lending Office for all Loans:

Bankers Trust Company  
130 Liberty Street  
New York, NY 10006

Address for Notices:

Bankers Trust Company  
130 Liberty Street  
New York, NY 10006

Attention: Gina Thompson

Telecopier No.: 212-250-7218

Telephone No.: 212-250-7356

Credit Agreement

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CANADIAN IMPERIAL BANK OF  
COMMERCE

By /s/ Robert J. Wagner

-----  
Title: Managing Director

Lending Office for all Loans:

Canadian Imperial Bank of  
Commerce  
350 S. Grand Avenue #2600  
Los Angeles, CA 90071

Address for Notices:

Canadian Imperial Bank of  
Commerce  
Two Paces West  
2727 Paces Ferry Road  
Atlanta, GA 30339

Attention: Kathryn S. McGovern

Telecopier No.: 770-319-4950

Telephone No.: 770-319-4817

Credit Agreement

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CITICORP USA, INC.

By /s/ Carolyn R. Bodmer

-----  
Title: Vice President

Lending Office for all Loans:

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

Address for Notices:

Citicorp USA, Inc.  
One Court Square  
7th Floor  
Long Island City, NY 11120

Attention: Jim Stave

Telecopier No.: 718-248-4844

Telephone No.: 718-248-5698

Credit Agreement

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CREDIT LYONNAIS CAYMAN  
ISLAND BRANCH

By /s/ Thierry Vincent

-----  
Title: Authorized Signatory

Lending Office for all Loans:

Credit Lyonnais Cayman  
Island Branch  
c/o Credit Lyonnais  
Los Angeles Branch  
515 South Flower Street  
22nd Floor  
Los Angeles, California 90071

Address for Notices:

Credit Lyonnais Cayman  
Island Branch  
c/o Credit Lyonnais  
Los Angeles Branch  
515 South Flower Street  
22nd Floor  
Los Angeles, California 90071

Attention: Pierre Bury

Telecopier No.: 213-623-3437

Telephone No.: 213-362-5953

Credit Agreement

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CREDIT SUISSE

By /s/ Marilou Palenzuela  
-----  
Title: Member of Senior

Management

By /s/ Lori Jenner  
-----  
Title: Associate

Lending Office for all Loans:

Credit Suisse  
633 West Fifth Street  
64th Floor  
Los Angeles, California 90071

Address for Notices:

Credit Suisse  
633 West Fifth Street  
64th Floor  
Los Angeles, California 90071

Attention: Rita Asa

Telecopier No.: 213-955-8245

Telephone No.: 213-955-8284

Credit Agreement  
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DRESDNER BANK AG

By /s/ Jon M. Bland

-----  
Title: Senior Vice President

By /s/ Sidney S. Jordan

-----  
Title: Vice President

Lending Office for all Loans:

Dresdner Bank AG  
725 South Figueroa Street  
Suite 3950  
Los Angeles, California 90017

Address for Notices:

Dresdner Bank AG  
Credit Services  
75 Wall Street  
New York, New York 10005-2889

Attention: Robert Reddington

Telecopier No.: 212-429-2130

Telephone No.: 212-429-2269

Credit Agreement

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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  
777 South Figueroa Street  
4th Floor  
Los Angeles, CA 90017-5800

Address for Notices:

The First National Bank of  
Chicago  
One First National Plaza  
10th Floor  
Chicago, IL 60670

Attention: James Graham

Telecopier No.: 312-732-4840

Telephone No.: 312-732-7112

Credit Agreement

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FIRST UNION NATIONAL BANK  
OF NORTH CAROLINA

By /s/ Henry R. Biedrzycki

-----  
Title: Vice President

Lending Office for all Loans:

First Union National Bank  
of North Carolina  
301 S. College Street  
TW-18  
Charlotte, NC 28288-0737

Address for Notices:

First Union National Bank  
of North Carolina  
301 S. College Street  
TW-18  
Charlotte, NC 28288-0737

Attention: Hank Biedrzycki

Telecopier No.: 704-374-3300

Telephone No.: 704-375-4914

Credit Agreement

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THE LONG-TERM CREDIT BANK OF  
JAPAN, LTD., LOS ANGELES AGENCY

By /s/ Motokazu Uematsu

-----  
Title: Deputy General Manager

Lending Office for all Loans:

The Long-Term Credit Bank of  
Japan, Ltd., Los Angeles Agency  
444 South Flower Street  
Suite 3700  
Los Angeles, California 90071-  
2938

Address for Notices:

The Long-Term Credit Bank of  
Japan, Ltd., Los Angeles Agency  
444 South Flower Street  
Suite 3700  
Los Angeles, California 90071-  
2938

Attention: Cindy Ly  
Wing Y. Wong

Telecopier No.: 213-689-6247  
213-689-6246

Telephone No.: 213-626-1067

Credit Agreement

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MELLON BANK, N.A.

By /s/ Lawrence C. Ivey

-----  
Title: Vice President

Lending Office for all Loans:

Mellon Bank, N.A.  
Three Mellon Bank Center  
Room #2304  
Pittsburgh, PA 15259

Address for Notices:

Mellon Bank, N.A.  
Three Mellon Bank Center  
Room #2304  
Pittsburgh, PA 15259

Attention: Damon Carr

Telecopier No.: 412-234-5049

Telephone No.: 412-234-1872

Credit Agreement

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THE MITSUBISHI TRUST AND BANKING  
CORPORATION

By /s/ Hachiro Hosoda

-----  
Title: Senior Vice President

Lending Office for all Loans:

The Mitsubishi Trust and Banking  
Corporation  
520 Madison Avenue  
26th Floor  
New York, New York 10022

Address for Notices:

The Mitsubishi Trust and Banking  
Corporation  
520 Madison Avenue  
26th Floor  
New York, New York 10022

Attention: Susan LeFevre

Telecopier No.: 212-644-6825 or  
212-593-4691

Telephone No.: 212-891-8243

Credit Agreement

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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  
TX1-492-14-06  
Dallas, Texas 75202

Address for Notices:

NationsBank of Texas, N.A.  
444 South Flower Street  
Suite 4100  
Los Angeles, California 90071

Attention: Tom F. Scharfenberg

Telecopier No.: 213-624-5815

Telephone No.: 213-236-4923

Credit Agreement

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NATIONAL WESTMINSTER BANK PLC NEW  
YORK AND/OR NASSAU BRANCHES

By /s/ Phillip Krall

-----  
Title: Vice President

Lending Office for all Loans:

National Westminster Bank Plc  
New York and/or Nassau Branches  
175 Water Street  
26th Floor  
New York, NY 10038

Address for Notices:

National Westminster Bank Plc  
New York and/or Nassau Branches  
175 Water Street  
19th Floor  
New York, NY 10038

Attention: Gary Tenner

Telecopier No.: 212-602-4118

Telephone No.: 212-602-4180/4149

Credit Agreement

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ROYAL BANK OF CANADA

By /s/ Michael Korine

-----  
Title: Senior Manager

Lending Office for all Loans:

Royal Bank of Canada  
Financial Square  
New York, New York 10005-3531

Address for Notices:

Royal Bank of Canada  
Financial Square  
New York, New York 10005-3531

Attention: Michael Korine

Telecopier No.: 212-428-2372

Telephone No.: 212-428-6258

Credit Agreement

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SOCIETE GENERALE

By /s/ J. Staley Stewart

-----  
Title: Vice President

Lending Office for all Loans:

SOCIETE GENERALE  
2029 Century Park East  
Suite 2900  
Los Angeles, CA 90067

Address for Notices:

SOCIETE GENERALE  
2029 Century Park East  
Suite 2900  
Los Angeles, CA 90067

Attention: Tulinh Wu

Telecopier No.: 310-203-0539

Telephone No.: 310-788-7117

Credit Agreement

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THE SUMITOMO BANK, LIMITED

By /s/ Hiroshi Amano

-----  
Title: General Manager

Lending Office for all Loans:

The Sumitomo Bank, Limited  
777 S. Figueroa Street #2600  
Los Angeles, California 90017

Address for Notices:

The Sumitomo Bank, Limited  
The Los Angeles Branch  
777 S. Figueroa Street #2600  
Los Angeles, California 90017

Attention: Alicia Romo

Telecopier No.:

Telephone No.: 213-955-0854

Credit Agreement

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TORONTO DOMINION (TEXAS), INC.

By /s/ Frederic B. Hawley

-----  
Title: Vice President

Lending Office for all Loans:

The Toronto-Dominion Bank  
909 Fannin, Suite 1700  
Houston, Texas 77010

Address for Notices:

The Toronto-Dominion Bank  
909 Fannin, Suite 1700  
Houston, Texas 77010

Attention: Frederic B. Hawley

Telecopier No.: 713-951-9921

Telephone No.: 713-653-8281

Credit Agreement

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WACHOVIA BANK OF GEORGIA, N.A.

By /s/ David K. Alexander

-----  
Title: Senior Vice President

Lending Office for all Loans:

Wachovia Bank of Georgia, N.A.  
191 Peachtree Street  
Atlanta, GA 30303

Address for Notices:

Wachovia Bank of Georgia, N.A.  
191 Peachtree Street  
Atlanta, GA 30303

Attention: Andre Jackson

Telecopier No.: 404-332-6898

Telephone No.: 404-332-1112

Credit Agreement

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ABN AMRO BANK N.V., LOS ANGELES  
INTERNATIONAL BRANCH

By ABN AMRO North America, Inc.,  
as agent

By /s/ Paul K. Stimpfl  
-----  
Title: Vice President

By /s/ David J. Stassel  
-----  
Title: Vice President

Lending Office for all Loans:

ABN Amro Bank N.V., Los Angeles  
International Branch  
300 South Grand Avenue  
Suite 1115  
Los Angeles, California 90071  
Address for Notices:

ABN Amro Bank N.V., Los Angeles  
International Branch  
300 South Grand Avenue  
Suite 1115  
Los Angeles, California 90071

Attention: Ellen Coleman  
John Miller

Telecopier No.: 213-687-2061

Telephone No.: 213-687-2306  
213-687-2072

Credit Agreement

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THE MITSUBISHI BANK, LTD.

By /s/ Corinne Heyning

-----  
Title: Vice President

Lending Office for all Loans:

The Mitsubishi Bank, Ltd.  
c/o The Bank of California, N.A.  
550 S. Hope Street  
3rd Floor  
Los Angeles, CA 90071

Address for Notices:

The Mitsubishi Bank, Ltd.  
c/o The Bank of California, N.A.  
550 S. Hope Street  
3rd Floor  
Los Angeles, CA 90071

Attention: Corinne Heyning

Telecopier No.: 213-629-0147

Telephone No.: 213-243-3510

Credit Agreement

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BANQUE PARIBAS

By /s/ Lynne A. Lueders

-----  
Title: Vice President

By /s/ John Cate

-----  
Title: Group Vice President

Lending Office for all Loans:

Banque Paribas  
2029 Century Park East  
Suite 3900  
Los Angeles, CA 90067

Address for Notices:

Banque Paribas  
2029 Century Park East  
Suite 3900  
Los Angeles, CA 90067

Attention: Lynne Lueders

Telecopier No.: 310-556-8759

Telephone No.: 310-551-7319

Credit Agreement

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BZW DIVISION OF BARCLAYS BANK PLC

By /s/ John Giannone

-----  
Title: Director

Lending Office for all Loans:

BZW Division of Barclays Bank PLC  
222 Broadway  
New York, New York 10038

Address for Notices:

BZW Division of Barclays Bank PLC  
222 Broadway  
New York, New York 10038

Attention: John Giannone

Telecopier No.: 212-412-7511

Telephone No.: 212-412-3276

Address for Funding:

Anand Chau-sui  
Client Services Unit  
Barclays Group Inc.  
222 Broadway  
New York, New York 10038

Telecopier No.: 212-412-1098/1099

Telephone No.: 212-412-1352

Credit Agreement

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COMPAGNIE FINANCIERE DE CIC ET  
DE L'UNION EUROPEENNE

By /s/ Brian O'Leary

-----  
Title: Vice President

By /s/ Marcus Edward

-----  
Title: Vice President

Lending Office for all Loans:

Compagnie Financiere de Cic et de  
L'Union Europeenne  
520 Madison Avenue  
37th Floor  
New York, NY 10022

Address for Notices:

Compagnie Financiere de Cic et de  
L'union Europeenne  
520 Madison Avenue  
37th Floor  
New York, NY 10022

Attention: Brian O'Leary

Telecopier No.: 212-715-4535

Telephone No.: 212-715-4422

Credit Agreement

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THE DAI-ICHI KANGYO BANK, LTD.,  
LOS ANGELES AGENCY

By /s/ Tomohiro Nozaki

-----  
Title: Senior Vice President &  
Joint General Manager

Lending Office for all Loans:

The Dai-Ichi Kangyo Bank, Ltd.,  
Los Angeles Agency  
555 West 5th Street  
5th Floor  
Los Angeles, California 90013

Address for Notices:

The Dai-Ichi Kangyo Bank, Ltd.,  
Los Angeles Agency  
555 West 5th Street  
5th Floor  
Los Angeles, California 90013

Attention: Israel Carmeli

Telecopier No.: 213-624-5258

Telephone No.: 213-243-4740

Credit Agreement

-----

DEUTSCHE BANK AG  
LOS ANGELES BRANCH AND/OR  
CAYMAN ISLANDS BRANCH

By /s/ J. Scott Jessup  
-----  
Title: Vice President

By /s/ Ross A. Howard  
-----  
Title: Vice President

Lending Office for Base Rate  
Loans:

Deutsche Bank AG  
Los Angeles Branch  
550 S. Hope Street  
Suite 1850  
Los Angeles, CA 90071

Lending Office for Eurodollar  
Loans:

Deutsche Bank AG  
Cayman Islands Branch  
c/o Los Angeles Branch  
550 S. Hope Street  
Suite 1850  
Los Angeles, CA 90071

Address for Notices:

Deutsche Bank AG  
Los Angeles Branch and/or  
Cayman Island Branch  
c/o Los Angeles Branch  
550 S. Hope Street  
Suite 1850  
Los Angeles, CA 90071

Attention: Anne Norwood

Telecopier No.: 213-630-3436

Telephone No.: 213-630-7682

Credit Agreement

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THE FUJI BANK, LIMITED  
LOS ANGELES AGENCY

By /s/ Nobuhiro Umemura

-----  
Title: Joint General Manager

Lending Office for all Loans:

The Fuji Bank, Limited  
Los Angeles Agency  
333 South Grand Avenue  
Suite 2500  
Los Angeles, California 90071

Address for Notices:

The Fuji Bank, Limited  
Los Angeles Agency  
333 South Grand Avenue  
Suite 2500  
Los Angeles, California 90071

Attention: Ching Lim

Telecopier No.: 213-253-4198

Telephone No.: 213-253-4179

Credit Agreement

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MIDLAND BANK PLC

By /s/ Gina Sidorsky

-----  
Title: Director

Lending Office for all Loans:

Midland Bank Plc  
140 Broadway  
5th Floor  
New York, NY 10005

Address for Notices:

Midland Bank Plc  
140 Broadway  
5th Floor  
New York, NY 10005

Attention: Adriana Vicuna

Telecopier No.: 212-658-2586

Telephone No.: 212-658-2752

Credit Agreement

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THE INDUSTRIAL BANK OF JAPAN,  
LIMITED, LOS ANGELES AGENCY

By /s/ Kazutaka Kiyoto

-----  
Title: Senior Vice President

Lending Office for all Loans:

The Industrial Bank of Japan,  
Limited, Los Angeles Agency  
350 South Grand Avenue  
Suite 1500  
Los Angeles, California 90071

Address for Notices:

The Industrial Bank of Japan,  
Limited, Los Angeles Agency  
350 South Grand Avenue  
Suite 1500  
Los Angeles, California 90071

Attention: Carl-Eric

Henzinger

Telecopier No.: 213-488-9840

Telephone No.: 213-893-6422

Credit Agreement

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MERITA BANK LTD.

By /s/ Frank Maffei  
-----  
Title: Assistant Vice President

By /s/ Charles Poer  
-----  
Title: Vice President

Lending Office for all Loans:

Merita Bank Ltd.  
437 Madison Avenue  
New York, NY 10022

Address for Notices:

Merita Bank Ltd.  
437 Madison Avenue  
New York, NY 10022

Attention: Frank Maffei

Telecopier No.: 212-421-4420

Telephone No.: 212-318-9561

Credit Agreement

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THE NIPPON CREDIT BANK, LTD. -  
LOS ANGELES AGENCY

By/s/ Helen Y. Rhee  
-----  
Title: Assistant Vice President

By/s/ Bernardo E. Correa-Henschke  
-----  
Title: Vice President &  
Senior Manager

Lending Office for all Loans:

The Nippon Credit Bank, Ltd. -  
Los Angeles Agency  
550 South Hope Street  
Suite 2500  
Los Angeles, California 90071

Address for Notices:

The Nippon Credit Bank, Ltd. -  
Los Angeles Agency  
550 South Hope Street  
Suite 2500  
Los Angeles, California 90071

Attention: Araceli Figueroa

Telecopier No.: 213-892-0111

Telephone No.: 213-243-5726

Credit Agreement  
-----

BANCA COMMERCIALE ITALIANA  
LOS ANGELES FOREIGN BRANCH

By /s/ Iacopo Navone

-----  
Title: Vice President & Manager

By /s/ Richard E. Iwanicki

-----  
Title: Vice President

Lending Office for all Loans:

Banca Commerciale Italiana  
Los Angeles Foreign Branch  
555 South Flower Street  
43rd Floor  
Los Angeles, CA 90071

Address for Notices:

Banca Commerciale Italiana  
Los Angeles Foreign Branch  
555 South Flower Street  
43rd Floor  
Los Angeles, CA 90071

Attention: Richard Iwanicki  
Vice President

Telecopier No.: 213-624-0457

Telephone No.: 213-624-0440

Credit Agreement

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BANCA DI ROMA, SAN FRANCISCO

By /s/ Richard G. Dietz

-----  
Title: Assistant Vice President

By /s/ Claudio De Luca

-----  
Title: Senior Vice President &  
Manager

Lending Office for all Loans:

Banca di Roma, San Francisco  
One Montgomery Street  
Telesis Tower  
Suite 2200  
San Francisco, CA 94104

Address for Notices:

Banca di Roma, San Francisco  
One Montgomery Street  
Telesis Tower  
Suite 2200  
San Francisco, CA 94104

Attention: Mr. Augusto Bianchi  
First Vice President

Telecopier No.: 415-433-6725

Telephone No.: 415-765-8202

Credit Agreement

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BAYERISCHE VEREINSBANK AG  
LOS ANGELES BRANCH

By /s/ Jarunee Hanpachern  
-----  
Title: Assistant Vice President

By /s/ Chrisine A. Taylor  
-----  
Title: Vice President & Manager

Lending Office for all Loans:

Bayerische Vereinsbank AG  
Los Angeles Branch  
800 Wilshire Blvd.  
Suite 1600  
Los Angeles, CA 90017

Address for Notices:

Bayerische Vereinsbank AG  
Los Angeles Branch  
800 Wilshire Blvd.  
Suite 1600  
Los Angeles, CA 90017

Attention: Jarunee Hanpachern  
Christine Taylor

Telecopier No.: 213-622-6341

Telephone No.: 213-629-1821

Credit Agreement  
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BANQUE NATIONALE DE PARIS

By /s/ Clive Bettles

-----  
Title: Senior Vice President &  
Manager

By /s/ Margaret Mudd

-----  
Title: Vice President

Lending Office for all Loans:

Banque Nationale de Paris  
725 South Figueroa Street  
Suite 2090  
Los Angeles, CA 90017

Address for Notices:

Banque Nationale de Paris  
180 Montgomery Street  
San Francisco, CA 94126

Attention: Don Hart  
Vice President

Telecopier No.: 415-989-9041

Telephone No.: 415-956-2511

with a copy to:

-----

BNP Los Angeles  
725 South Figueroa Street  
Suite 2090  
Los Angeles, CA 90017

Attention: Margaret Mudd  
Vice President

Telecopier No.: 213-488-9682

Telephone No.: 213-688-6436

Credit Agreement

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CARIPL0-CASSA DI RISPARMIO DELLE  
PROVINCIE LOMBARDE S.P.A.  
GRAND CAYMAN BRANCH

By /s/ Barbara Eppolito

-----  
Title: Assistant Vice President

By /s/ Renato Bassi

-----  
Title: First Vice President

Lending Office for all Loans:

Cariplo-Cassa di Risparmio delle  
Provincie Lombarde S.p.A.  
10 East 53rd Street  
New York, NY 10022

Address for Notices:

Cariplo-Cassa di Risparmio delle  
Provincie Lombarde S.p.A.  
10 East 53rd Street  
New York, NY 10022

Attention: Anthony F. Giobbi

Telecopier No.: 212-527-8777

Telephone No.: 212-527-8737

Credit Agreement

-----

CORESTATES BANK, N.A.

By /s/ Carol Williams

-----  
Title: Senior Vice President

Lending Office for all Loans:

Corestates Bank  
Commercial Loan Accounting  
FC: 1-3-17-70  
Philadelphia, PA 19101

Address for Notices:

Corestates Bank  
Commercial Loan Accounting  
FC: 1-3-17-70  
Philadelphia, PA 19101

Attention: Sharon Burgess

Telecopier No.: 215-973-2045

Telephone No.: 215-973-4448

Credit Agreement

-----

FIRST INTERSTATE BANK OF CALIFORNIA

By /s/ William J. Baird

-----  
Title: Senior Vice President

Lending Office for all Loans:

First Interstate Bank of California  
707 Wilshire Boulevard  
W16-13  
Los Angeles, California 90017

Address for Notices:

First Interstate Bank of California  
Loan Servicing Center  
P.O. Box 2899  
Portland, OR 97208-2899

Attention: Sunil Singh

Telecopier No.: 503-614-5878

Telephone No.: 503-614-6436

Credit Agreement

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GULF INTERNATIONAL BANK B.S.C.

By /s/ Abdel-Fattah Tahoun

-----  
Title: Senior Vice President

By /s/ William B. Shepard

-----  
Title: Vice President

Lending Office for all Loans:

Gulf International Bank B.S.C.  
380 Madison Avenue  
21st Floor  
New York, NY 10017

Address for Notices:

Gulf International Bank B.S.C.  
380 Madison Avenue  
21st Floor  
New York, NY 10017

Attention: William B. Shepard  
Vice President

Telecopier No.: 212-922-2309

Telephone No.: 212-922-2323

Credit Agreement

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KREDIETBANK NV

By /s/ Robert Shauffer  
-----  
Title: Vice President

By /s/ Raymond F. Murray  
-----  
Title: Vice President

Lending Office for all Loans:

Kredietbank NV  
125 West 55th Street  
10th Floor  
New York, NY 10019

Address for Notices:

Kredietbank NV  
125 West 55th Street  
10th Floor  
New York, NY 10019

Attention: Lynda Resuma

Telecopier No.: 212-956-5580

Telephone No.: 212-541-0657

Credit Agreement

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LLOYDS BANK PLC

By /s/ Theodore R. Walser

-----  
Title: Senior Vice President

By /s/ Stephen J. Attree

-----  
Title: Assistant Vice President

Lending Office for Base Rate

Loans:

Lloyds Bank Plc  
199 Water Street  
New York, NY 10031

Lending Office for Eurodollar  
Loans:

Lloyds Bank Plc  
199 Water Street  
New York, NY 10031

Address for Notices:

Lloyds Bank Plc  
199 Water Street  
New York, NY 10031

Attention: Paul Briamonte

Telecopier No.: 212-607-4999

Telephone No.: 212-607-4965

Credit Agreement

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PNC BANK, NATIONAL ASSOCIATION

By /s/ Anthony L. Trunzo

-----  
Title: Vice President & Manager

Lending Office for all Loans:

PNC Bank, National Association  
55 S. Lake Avenue  
Suite 650  
Pasadena, CA 91101

Address for Notices:

PNC Bank, National Association  
55 S. Lake Avenue  
Suite 650  
Pasadena, CA 91101

Attention: Pamela J. Fox

Telecopier No.: 818-568-0653

Telephone No.: 818-568-8950

Credit Agreement

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THE ROYAL BANK OF SCOTLAND plc

By /s/ David Dougan

-----  
Title: Vice President

Lending Office for all Loans:

The Royal Bank of Scotland plc  
Wall Street Plaza  
88 Pine Street  
26th Floor  
New York, NY 10005

Address for Notices:

The Royal Bank of Scotland plc  
Wall Street Plaza  
88 Pine Street  
26th Floor  
New York, NY 10005

Attention: Helaine Griffin

Telecopier No.: 212-269-8929

Telephone No.: 212-269-1700

Credit Agreement

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THE SANWA BANK, LIMITED

By /s/ John Merhaut

-----  
Title: First Vice President &  
Manager

Lending Office for all Loans:

The Sanwa Bank, Limited  
Los Angeles Branch  
601 S. Figueroa (W5-4)  
Los Angeles, CA 90017

Address for Notices:

The Sanwa Bank, Limited  
Los Angeles Branch  
601 S. Figueroa (W5-4)  
Los Angeles, CA 90017

Attention: John Merhaut  
First Vice President

Telecopier No.: 213-623-4912

Telephone No.: 213-896-7862

Credit Agreement

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THE SAKURA BANK, LIMITED

By /s/ Fernando Buesa

-----  
Title: Vice President

By /s/ Ofusa Sato

-----  
Title: Senior Vice President &  
Assistant General Manager

Lending Office for all Loans:

The Sakura Bank, Limited  
515 South Figueroa Street  
Suite 400  
Los Angeles, California 90071

Address for Notices:

The Sakura Bank, Limited  
515 South Figueroa Street  
Suite 400  
Los Angeles, California 90071

Attention: Fernando Buesa

Telecopier No.: 213-623-8692

Telephone No.: 213-489-6295

Credit Agreement

-----

THE TOKAI BANK, LTD.  
LOS ANGELES AGENCY

By /s/ Masahiko Saito

-----  
Title: Assistant General Manager

Lending Office for all Loans:

The Tokai Bank, Ltd.  
Los Angeles Agency  
300 South Grand Avenue  
Los Angeles, CA 90071

Address for Notices:

The Tokai Bank, Ltd.  
Los Angeles Agency  
300 South Grand Avenue  
Los Angeles, CA 90071

Attention: Stanley Leung

Telecopier No.: 213-689-3200

Telephone No.: 213-972-8660

Credit Agreement

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AUSTRALIA AND NEW ZEALAND  
BANKING GROUP, LIMITED

By /s/ Stephen V. Christenson

-----  
Title: Vice President

Lending Office for all Loans:

Australia and New Zealand  
Banking Group, Limited  
1177 Avenue of the Americas  
New York, NY 10036

Address for Notices:

Australia and New Zealand  
Banking Group, Limited  
1177 Avenue of the Americas  
New York, NY 10036

Attention: Stephen V. Christenson

Telecopier No.: 212-801-9131

Telephone No.: 212-801-9122

Credit Agreement

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BANK OF IRELAND, GRAND CAYMAN  
BRANCH

By /s/ Randolph M. Ross  
-----

Title: Vice President

Lending Office for all Loans:

Bank of Ireland, Grand Cayman  
Branch  
640 Fifth Avenue  
New York, NY 10019

Address for Notices:

Bank of Ireland, Grand Cayman  
Branch  
640 Fifth Avenue  
New York, NY 10019

Attention: Patrick Dowling

Telecopier No.: 212-307-5559

Telephone No.: 212-397-1747

Credit Agreement  
-----

THE FIRST NATIONAL BANK OF MARYLAND

By /s/ Carol A. Dalton  
-----

Title: Vice President

Lending Office for all Loans:

First National Bank of Maryland  
25 South Charles Street  
MC 101-745  
Baltimore, MD 21201

Address for Notices:

First National Bank of Maryland  
25 South Charles Street  
MC 101-745  
Baltimore, MD 21201

Attention: Peg Micdzianowski

Telecopier No.: 410-244-4294

Telephone No.: 410-244-4839

Credit Agreement  
-----

NATIONAL CITY BANK

By /s/ David A. Burns

-----  
Title: Vice President

Lending Office for all Loans:

National City Bank  
1900 E. Ninth Street  
LOC 2102  
Cleveland, OH 44114

Address for Notices:

National City Bank  
1900 E. Ninth Street  
Cleveland, OH 44114

Attention: Wendy Pollarine

Telecopier No.: 216-575-3207

Telephone No.: 216-575-2156

Credit Agreement

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UNION BANK

By /s/ Pasha Moghaddam

-----  
Title: Vice President

By /s/ Linda L. Beaven

-----  
Title: Vice President

Lending Office for all Loans:

Union Bank  
1980 Saturn Street  
Monterey Park, CA 91754

Address for Notices:

Union Bank  
445 South Figueroa Street  
Los Angeles, CA 90071-1602

Attention: Addie Manzo

Telecopier No.: 213-236-5112

Telephone No.: 213-236-5240

Credit Agreement

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THE SWINGLINE BANK  
-----

SWINGLINE COMMITMENT  
-----  
\$100,000,000

THE CHASE MANHATTAN BANK  
(NATIONAL ASSOCIATION),  
as the Swingline Bank

By /s/ Richard C. Smith  
-----  
Title: Vice President

Lending Office for all Loans:

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

Address for Notices to Chase  
as the Swingline Bank:

The Chase Manhattan Bank  
(National Association)  
4 Metrotech Center -- 13th Floor  
Brooklyn, New York 11245

Attention: New York Agency

Telecopier No.: 718-242-6910

Telephone No.: 718-242-7979

Credit Agreement  
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THE ADMINISTRATIVE AGENT  
-----

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

By /s/ Richard C. Smith  
-----

Title: Vice President

Address for Notices to Chase  
as Administrative Agent:

The Chase Manhattan Bank  
(National Association)  
4 Metrotech Center -- 13th Floor  
Brooklyn, New York 11245

Attention: New York Agency

Telecopier No.: 718-242-6910

Telephone No.: 718-242-7969

Credit Agreement  
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CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 33-55143) and Form S-8 (Nos. 2-73293, 2-98614, 33-15764, 33-49667, 33-55141, 33-59815 and 33-59853) of Northrop Grumman Corporation of our report regarding Electronic Systems (a unit of Westinghouse Electric Corporation) dated January 31, 1996 appearing on page 4 of this Current Report on Form 8-K for Northrop Grumman Corporation.

PRICE WATERHOUSE LLP  
Baltimore, Maryland  
March 15, 1996

FOR IMMEDIATE RELEASE

-----  
NORTHROP GRUMMAN COMPLETES ACQUISITION OF  
-----  
WESTINGHOUSE DEFENSE AND ELECTRONICS SYSTEMS BUSINESS  
-----

LOS ANGELES -- March 1, 1996 -- Northrop Grumman Corporation announced today that it has completed the acquisition of Westinghouse's defense and electronics systems business, which is headquartered in Baltimore, Md.

Northrop Grumman purchased the business for \$3 billion in cash. The company also assumed approximately \$500 million in unfunded pension liability and other post-retirement benefits for the unit's current employees.

The transaction was financed through a combination of bank credit facilities and a \$1 billion Rule 144A debt offering due in 10, 20 and 30 years.

Northrop Grumman said it will operate the Westinghouse business as a separate division, which will be known as the Electronic Sensors and Systems Division. The unit employs nearly 12,000 people worldwide at 15 operating locations, primarily in the United States. Its revenues in 1995 were approximately \$2.6 billion, and its business backlog at year-end was approximately \$3.6 billion.

"This growth acquisition represents a major strategic step forward in the transformation of our company from primarily a builder of airplanes to an electronics and systems integration company with healthy military aircraft, commercial aircraft, and

-more-

NORTHROP GRUMMAN COMPLETES ACQUISITION OF  
-----  
WESTINGHOUSE DEFENSE AND ELECTRONICS SYSTEMS BUSINESS  
-----

information systems businesses," said Kent Kresa, Northrop Grumman chairman, president and chief executive officer.

ESSD is a world leader in the development and production of sophisticated electronic systems for the nation's defense, civil aviation, and other international and domestic applications.

It produces radars and electronics for combat aircraft and battlespace management systems, including those for the F-22 and F-16 fighters, B-1B bomber, C-130 transport, and the E-3 AWACS and E-8 Joint STARS surveillance aircraft. ESSD also is involved in military space and undersea programs, electronic countermeasures, tactical communications, and marine products.

In addition to its information systems business, the division is also a leading supplier of air traffic control radars to the Federal Aviation Administration and to countries in Europe, the Middle East, Africa, Asia and South America.

Note: The securities offered and sold pursuant to Rule 144A have not been registered under the Securities Act of 1933, as amended, or qualified under the securities laws of any state, and may not be offered or sold in the United States absent registration or qualification or an applicable exemption from the registration or qualification requirements.

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