

SECURITIES AND EXCHANGE COMMISSION

FORM 10-K405

Annual report pursuant to section 13 and 15(d), Regulation S-K Item 405

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FILER

ALLEN TELECOM INC

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

(Mark One)

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

For the fiscal year ended December 31, 1998

OR

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

For the transition period from _____ to _____

Commission file number 1-6016

ALLEN TELECOM INC.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

Delaware 38-0290950(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)-----
25101 Chagrin Boulevard, Beachwood, Ohio 44122

(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES) (ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE 216/765-5818-----
SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

| TITLE OF EACH CLASS | NAME OF EACH EXCHANGE ON WHICH REGISTERED |
|---------------------------------|--|
| Common Stock, \$1 par value | New York Stock Exchange Pacific Exchange |
| Preferred Stock Purchase Rights | New York Stock Exchange Pacific Exchange |

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: None

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days: Yes X No

--- ---

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

As of March 3, 1999, there were 27,504,546 shares of the Registrant's Common Stock issued and outstanding, and the aggregate market value (based upon the last sale price of the Registrant's Common Stock on the New York Stock Exchange Composite Tape on March 3, 1999 of \$4.813) of the Registrant's Common Stock held by nonaffiliates of the Registrant was \$124,423,505.

Exhibit Index is on pages 17 to 24 of this Report.

DOCUMENTS INCORPORATED BY REFERENCE

Annual Report to Stockholders for fiscal year ended December 31, 1998
incorporated by reference into Parts I, II and IV hereof.

Proxy Statement dated March 19, 1999 for Annual Meeting of Stockholders to be held April 30, 1999 incorporated by reference into Part III hereof.

ALLEN TELECOM INC.

FORM 10-K

(For the fiscal year ended December 31, 1998)

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ALLEN TELECOM INC.

FORM 10-K

PART I

ITEM 1 - BUSINESS

OVERALL

GENERAL

Allen Telecom Inc. ("Allen Telecom", the "Company" or the "Registrant") was incorporated under the laws of the State of Delaware on February 3, 1969. Its predecessor was Allen Electric and Equipment Company, incorporated under the laws of the State of Michigan on January 13, 1928, which merged into the Delaware corporation on May 1, 1969. On February 28, 1997, the name of the Company was changed from The Allen Group Inc. to Allen Telecom Inc., upon the merger of its wholly owned subsidiary, Allen Telecom Group, Inc. with and into the Company.

The Company is a major supplier of telecommunications equipment, including site management products, system expansion and optimization products, mobile and base station antennas, test and measurement equipment, and wireless engineering services to the worldwide wireless communications market.

There have been no significant changes in the business, kinds of products produced or services rendered or in the markets or methods of distribution since the beginning of the last fiscal year.

On March 1, 1999, the Company sold its MARTA Technologies, Inc. ("Marta") subsidiary, which operated its discontinued centralized automotive emissions testing programs, to a subsidiary of Environmental Systems Products, Inc. Additional information regarding this development is incorporated herein by reference to Note 9, "Acquisitions and Dispositions," of the Notes to Consolidated Financial Statements" on pages 22 and 23, and to the "Discontinued Operations" section of "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 29 of Allen Telecom's 1998 Annual Report to Stockholders, a copy of which is filed as Exhibit 13 to this Annual Report.

TELECOMMUNICATIONS EQUIPMENT MANUFACTURING

GENERAL

The Company's Telecommunications Equipment Manufacturing business segment consists of three product lines: Systems Products, Site Management and Other Non-Antenna Products, and Mobile and Base Station Antennas.

The Company's Systems Products support both coverage and capacity enhancement for GSM, TDMA, CDMA and analogue wireless carriers. Products include high power and low power repeaters to fill coverage gaps caused by obstructions, such as mountains, tunnels, and buildings, and fiber optic-based radio frequency distribution systems, such as its Britecell(TM) product. Indoor coverage systems are provided generally using fiber as a means of distribution, including its Distributed Indoor Coverage Extension System ("DICE(TM)"), as well as a cable-based indoor system for smaller, lower cost installations, such as its CableStar(TM) product. The Company also has developed a range of test equipment and software to test and optimize wireless networks, such as its I.Q. Analyzer(TM), Surveyor(TM) and Illuminator(TM) products.

Many of the major wireless system infrastructure vendors incorporate components or subsystems from Allen Telecom's Site Management and Other Non-Antenna Products. The Company is the world's largest supplier of cell site subsystems, supplying many different customized modules that are incorporated in original equipment manufacturer ("OEM") cell sites. Site Management products include sophisticated filters, which ensure that incoming signals are received and outgoing signals are transmitted clearly and without interference, duplexers, which are stationed at most cell site transceivers to allow one antenna to be used for both transmission and reception of radio signals simultaneously, and low noise, tower mounted, multicarrier and power amplifiers, which enhance the reception of weak signals or boost outgoing signals. Allen Telecom also manufacturers auto-tune combiners, which adjust instantly and automatically to new frequencies as the system is modified, among other products.

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Allen Telecom is a leading North American supplier of base station antennas to the global wireless OEMs and wireless service providers through its Mobile and Base Station Antennas product line. Products include antennas in frequency bands to cover all of the traditional analogue cellular networks as well as the newer digital services and PCS. New models for the PCS market include, for example, the Decibel TripleTree(TM), which incorporates all six of the antennas required for a three sector site all in a single 12 inch diameter housing. The Company is a leading supplier of mobile automobile antennas, which operate on both cellular and PCS frequencies, as well as antennas for Global Positioning System ("GPS") mapping.

The Federal Communications Commission ("FCC") has mandated that by October 2001 all providers of wireless phone services will provide the location where an emergency 911 call originates. The Company has been developing a

geolocation technology solution to provide carriers with the equipment and software to locate subscribers in their system. This geolocation technology is currently in its testing phase. Although further engineering work is needed to bring this product to market, the Company feels this is a viable technology which will meet the FCC's requirements.

In 1998, the Company initiated a number of cost reduction efforts within the Telecommunications Equipment Manufacturing segment to improve and adjust operations to existing market conditions. These actions include, among others, the discontinuance of product development and marketing efforts on certain products, the formation of a worldwide Systems business, the consolidation of two manufacturing operations of the Systems product line, and the reorganization of the Company's North American-based sales force. As a result of asset write-offs, severance and other costs associated with such actions, this segment incurred before-tax charges for the year of \$16.8 million.

PRODUCTION, RAW MATERIALS, AND SUPPLIES

Allen Telecom's telecommunications equipment products generally are manufactured or assembled by the Company. Outside of the United States, the Company's manufacturing operations are in Italy, Germany, France, Mexico, Australia, China and Brazil. Allen Telecom's European operations outsource a substantial portion of product manufacturing labor to third parties. Products are sold directly through salaried and commissioned sales employees or through distributors and sales representatives to OEMs, common carriers and other large users of telecommunications products.

In addition to manufacturing certain products, Allen Telecom also assembles at its facilities certain components manufactured for it by non-affiliated companies. The principal materials used in the production of Allen Telecom's products are purchased electronic components and subassemblies, steel, aluminum, copper and plastics. These materials are purchased regularly from several producers and have been generally available in sufficient quantities to meet Allen Telecom's requirements, although occasionally shortages have occurred. The Company believes that the supplies of materials through the end of 1999 will be adequate.

SEASONAL TRENDS

Generally, sales and earnings for telecommunications equipment manufacturing tend to be slightly lower in the first fiscal quarter due to lower outdoor installations of its products in the northern climates. Due to the unsettled climate for the global wireless telecommunications market, such seasonal variability was not evident in 1997 and 1998.

WORKING CAPITAL

The Company's products consist of manufactured products for which inventory levels are generally based on product demand. The Company produces sophisticated equipment that could be subject to technological obsolescence. The Company maintains and periodically revises reserves for excess inventory based on the most current information available of anticipated usage requirements. As previously indicated, a significant portion of the segment's revenues is derived from international sales, which has generally resulted in extended collection periods as compared to its domestic business.

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In 1996, the Company entered into an agreement and made an equity investment in Nextwave Telecom Inc. ("Nextwave") in the amount of \$5,000,000. Nextwave had agreed to purchase from the Company \$50,000,000 of equipment and services through December 31, 2001. In connection with this purchase commitment, subject to certain preconditions that have not yet occurred, the Company would make available up to \$50,000,000 of product financing in the form of secured, interest-bearing loans to be used solely to finance the purchase price of the equipment and services supplied by the Company, of which approximately \$2,000,000 has been purchased and financed to date. In 1998, NextWave and certain of its subsidiaries filed for relief under Chapter 11 of the United States bankruptcy code; accordingly, the status of this commitment is unlikely at this time. The Company believes that its existing credit lines provide sufficient flexibility for this arrangement, should it be necessary.

MAJOR CUSTOMERS

Within the Telecommunications Equipment Manufacturing segment, there is no single customer the loss of which would have a material adverse effect on the Company. However, four major telecommunications equipment companies accounted for approximately 20% (none individually greater than 10%) of segment sales in 1998. The balance of the segment's sales were widely distributed among many customers.

WIRELESS ENGINEERING SERVICES

GENERAL

Allen Telecom's Wireless Engineering Services is a leading supplier of frequency planning and coordinating services as well as system design and field engineering services for the wireless and PCS markets. The Company provides consulting services to assist with determining the appropriate system in light of the coverage required, topography and area demographics. Allen Telecom's engineering expertise in spectrum sharing, microwave interconnectivity, microwave migration and cell system design has enabled it to obtain orders from most major PCS carriers. The Company's spectrum sharing software, IQ.Clear(R), currently is licensed in most major domestic PCS markets, and its IQ.Link(TM) software for microwave interconnection is operational in several European PCS systems. Engineering services are distributed primarily through in-house salaried sales employees to telecom service providers.

In 1998, the Company incurred a one-time charge of \$2.6 million due to realigning the Wireless Engineering Services segment to reduce engineering and general and administrative costs. In addition, product offerings have been reorganized to focus on expected future business opportunities once the worldwide wireless market recovers. The full impact of such changes will not affect segment operating results until early 1999.

SEASONAL TRENDS

Generally, sales and earnings for wireless engineering services are not subject to significant seasonal variations.

MAJOR CUSTOMERS

Within wireless engineering services, there is no single customer the loss of which would have a material adverse effect on the Company. However, one customer accounted for 9.5% of the wireless engineering services segment, and four customers accounted for approximately 30% of segment sales in 1998. The balance of the segment's sales was widely distributed among many customers.

RESEARCH AND DEVELOPMENT

The Company engages in research and development activities (substantially all of which are Company-sponsored) as part of its ongoing business. The Company emphasizes the development of new technologies,

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products and software for the wireless telecommunications markets. Currently, these development activities are not expected to require a material investment in assets. For information concerning these expenditures, see "Research and Development Costs" in Note 1 of Notes to Consolidated Financial Statements on page 16 and 17 of Allen Telecom's 1998 Annual Report to Stockholders, a copy of which is filed as Exhibit 13 to this Annual Report.

ENVIRONMENTAL CONTROLS

The Company is subject to federal, state and local laws designed to protect the environment and believes that, as a general matter, its policies, practices and procedures are properly designed to prevent unreasonable risk of environmental damage and financial liability to the Company. Additional information regarding environmental issues is incorporated herein by reference to the last paragraph of Note 5, "Commitments and Contingencies," of the Notes to Consolidated Financial Statements on page 20 of Allen Telecom's 1998 Annual Report to Stockholders, a copy of which is filed as Exhibit 13 to this Annual Report.

EMPLOYEES

As of January 31, 1999, Allen Telecom's continuing operations had approximately 2,300 employees.

BUSINESS SEGMENTS, FOREIGN OPERATIONS AND EXPORT SALES

Information relating to the Company's business segments, foreign and domestic operations and export sales is incorporated herein by reference to "Geographic Data" in Note 8 of the Notes to Consolidated Financial Statements on page 22, and the information presented in the charts on page 27, of Allen Telecom's 1998 Annual Report to Stockholders, a copy of which is filed as Exhibit 13 to this Annual Report.

With the opportunities presented by the rapid deployment of wireless telecommunications systems throughout the world, the Company had seen extensive growth in international markets. The Company's export sales were \$71.6 million in 1998, \$103.9 million in 1997, and \$86.5 million in 1996. In 1998, international sales constituted 61% of total Telecommunications Equipment Manufacturing sales, and 16% of total Wireless Engineering Services sales. The international opportunities for the Company's products has encouraged the Company to continue to expand the size and number of its international sales and service offices. As seen in Item 2, "Properties," the Company's foreign manufacturing operations are located mainly in Europe. In the opinion of management, any financial risks inherent in Allen Telecom's existing foreign operations are not substantially different than the financial risks inherent in its domestic operations.

In 1998, economic dislocations in Asia became more widespread and were followed by economic disruption in South America, notably Brazil. The instability in these markets impacted the Company's shipment of product to those countries and also contributed to a major excess inventory situation at some of its customers, particularly in Europe. The Company currently sees no significant change in its market in the near term, but hopes to see gradual improvement as the uncertainties in Asia and South America are resolved.

PATENTS, LICENSES, AND FRANCHISES

The Company's Telecommunications Equipment Manufacturing and Wireless Engineering Services segments own a number of patents, trademarks and copyrights and conduct certain operations under licenses granted by others. Although the Company does not believe that the expiration or loss of any one of these items would materially affect its business considered as a whole, it does consider certain of them to be important to the conduct of its business in certain product lines. Business franchises and concessions are not of material importance to Allen Telecom.

BACKLOG

The approximate order backlog as of December 31, 1998 and 1997 are as follows (amounts in thousands):

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| | 1998 | 1997 |
|---|----------|-----------|
| | ---- | ---- |
| <S> | <>C> | <>C> |
| Telecommunications equipment manufacturing | \$51,900 | \$112,500 |
| Wireless engineering services | 900 | 2,500 |
| Backlog not expected to be filled within one year | - | (500) |
| | ----- | ----- |
| Backlog expected to be filled within one year | \$52,800 | \$114,500 |
| | ===== | ===== |

</TABLE>

In 1996, the Company entered into an agreement and made an equity investment in Nextwave. Nextwave had agreed to purchase from the Company \$50,000,000 of equipment and services through December 31, 2001. In 1998, Nextwave and certain of its subsidiaries filed for relief under Chapter 11 of the United States bankruptcy code; accordingly, this commitment is unlikely to be filled at this time. This purchase commitment has been excluded from the above-mentioned order backlog amounts.

COMPETITION

Competition is vigorous for both the telecommunications equipment manufacturing and wireless engineering services segments. The Company believes that it is among the major manufacturers in its product lines, and that competition is widely distributed. Allen Telecom's principal methods of competition include performance, service, warranty, market availability, product research and development, innovation and price. In certain of its product lines, the Company has augmented its own resources through licensing agreements with companies possessing complementary resources and technologies. The demand for equipment and services is primarily a function of the development of new and expanded wireless communications systems throughout the world, and Allen Telecom's ability to develop new products and technologies related to system coverage and capacity and components for other manufacturers' wireless communications systems.

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ITEM 2 - PROPERTIES

At December 31, 1998, Allen Telecom's continuing operations were conducted in 42 facilities in 10 states and 18 foreign countries. Allen Telecom's Telecommunications Equipment Manufacturing segment occupies approximately 944,000 square feet of space for manufacturing, assembly, warehousing, research and development, sales and administrative offices. Of this amount, approximately 596,000 square feet are rented under operating leases. The Company's principal manufacturing and service facilities for Telecommunications Equipment Manufacturing are located in Ohio, Texas, Virginia, Italy, Germany, France, and Mexico. The Company's Wireless Engineering Services are provided principally at one leased facility in Virginia and at customer locations.

Information concerning the square footage of the Company's continuing operations by segment at December 31, 1998 is as follows (amounts in thousands):

| | Domestic | | Foreign | | Total |
|--|----------|--------|---------|--------|-------|
| | Owned | Leased | Owned | Leased | |
| <S> | <C> | <C> | <C> | <C> | <C> |
| Telecommunications equipment manufacturing | 166 | 459 | 182 | 137 | 944 |
| Wireless engineering services | - | 87 | - | - | 87 |
| Other | 164 | 10 | - | - | 174 |
| Total | 330 | 556 | 182 | 137 | 1,205 |

</TABLE>

Allen Telecom's machinery, plants, warehouses and offices are in good condition, and are reasonably suited and adequate for the purposes for which they are presently used. Due to the economic uncertainty in the global wireless telecommunications markets, the Company's facilities are generally not fully utilized at December 31, 1998.

Included in "Other" above consists of a manufacturing facility of 84,000 square feet owned by the Company relating to a previously-owned operation (which is leased to a third party), a manufacturing facility of 80,000 square feet owned by the Company which is not in use and is held for sale, and a lease for its Corporate office space.

ITEM 3 - LEGAL PROCEEDINGS

The information required by this Item is incorporated herein by reference to the fourth paragraph of Note 5, "Commitments and Contingencies," on page 20, and the seventh paragraph of Note 9, "Acquisitions and Dispositions," on page 23, of the Notes to Consolidated Financial Statements of Allen Telecom's 1998 Annual Report to Stockholders, a copy of which is filed as Exhibit 13 to this Annual Report.

On December 21, 1998, the Company's then wholly-owned subsidiary, Marta Technologies, Inc., which operated its discontinued centralized automotive emissions testing business, entered into a Settlement Agreement with the State of Ohio for the complete and final settlement of their claims and causes of action. On December 31, 1997, Marta filed a lawsuit against Ohio EPA and its Director claiming damages for Ohio EPA's unilateral and illegal suspension of the program and numerous other actions which would, in the future, increase costs to operate the program and/or reduce the amount of revenues the State was contractually obligated to provide. Subsequent thereto, the State counterclaimed, denied Marta's allegations and demanded liquidated damages, contract damages and/or civil penalties as a result of Marta's alleged failure to meet the terms of the contract. Pursuant to the Settlement Agreement, Marta and the State entered into a Change Order to amend its contract for the operation of the centralized vehicle emissions testing program in the Cincinnati region of Ohio. The cost of the Change Order will be funded by the State.

ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

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EXECUTIVE OFFICERS OF THE REGISTRANT

The following list sets forth the names of the executive officers (as defined under rules promulgated by the Securities and Exchange Commission) of Allen Telecom, their ages and business experience during at least the last five years.

ROBERT G. PAUL - President and Chief Executive Officer; age 57.

Mr. Paul has been President and Chief Executive Officer of the Company since February 1991. He was President and Chief Operating Officer of the Company from December 1989 to February 1991, Senior Vice President - Finance from April 1987 to December 1989, Vice President-Finance from January 1987 to April 1987 and a Vice President from 1974 to January 1987. He also was President of the Antenna Specialists Company (a division of the Company) from 1978 to June 1990. Mr. Paul joined the Company in 1970 as an Assistant to the President and also served as Assistant Treasurer from 1970 to 1972. He was elected Treasurer in 1972 and Vice President and Treasurer of the Company in 1974. Mr. Paul was appointed Vice President-Finance and Administration of the Antenna Specialists Company division in 1976, its Vice President-Operations in 1977 and its President in 1978, while continuing as a Vice President of the Company.

ROBERT A. YOUDELMAN - Executive Vice President, Chief Financial Officer and Assistant Secretary; age 57.

Mr. Youdelman joined the Company in 1977 as Director of Taxes and was elected Vice President-Taxation in February 1980. In December 1989, he was elected Senior Vice President-Finance, Chief Financial Officer and Assistant Secretary of the Company and was promoted to Executive Vice President in February 1997. Mr. Youdelman is an attorney.

PETER G. DEVILLIERS - Vice President; age 45.

Mr. deVilliers joined the Company in July 1992 upon the acquisition by the Company of Alliance Telecommunications Corporation ("Alliance"), Dallas, Texas, where he served as Vice President-Marketing and Sales since joining Alliance in March 1991. Mr. deVilliers served as Vice President-Strategic Planning for ATG upon the merger of Alliance into ATG in June 1993 until February 1997. In February 1997, he was elected Vice President of Allen Telecom.

JAMES L. LEPORTE, III - Vice President and Controller; age 44.

Mr. LePorte joined the Company in 1981 as Senior Financial Analyst. In 1983, he was appointed Manager of Financial Analysis, and, in 1984, was named Assistant Controller. Mr. LePorte was elected Controller of the Company in April 1988; a Vice President in December 1990; and served as Treasurer of the Company from September 1995 to February 1999.

MCDARA P. FOLAN, III - Vice President, Secretary and General Counsel; age 40.

Mr. Folan joined the Company in August 1992 as Corporate Counsel and was elected Secretary and General Counsel in September 1992 and Vice President in December 1994. Prior to joining Allen Telecom, Mr. Folan was affiliated with the law firm of Jones, Day, Reavis and Pogue, Cleveland, Ohio, from September 1987 to August 1992. Mr. Folan is an attorney.

ROGER L. SCHROEDER- Treasurer and Assistant Secretary; age 45.

Mr. Schroeder joined the Company in 1981 as an Internal Auditor. In 1984, he was appointed Manager of Financial Analysis. He was promoted to Director of Financial Analysis in 1988 and named Director of Financial Analysis and Insurance in 1993. Mr. Schroeder was elected Assistant Secretary of the Company in December 1992 and Assistant Treasurer in April 1997, and was promoted to Treasurer and Assistant Secretary of the Company in February 1999.

There is no family relationship between any of the foregoing officers. All officers of Allen Telecom hold office until the first meeting of directors following the annual meeting of stockholders and until their successors have been elected and qualified.

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PART II

ITEM 5 - MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The information required by this Item is incorporated herein by reference to the last paragraph of Note 2, "Financing," of the Notes to Consolidated Financial Statements on page 18, and to "Exchange Listings," "Market Price Range of Common Stock," "Dividends Declared On Common Stock" and "Stockholders" on the inside back cover of the Registrant's 1998 Annual Report to Stockholders, a copy of which is filed as Exhibit 13 to this Annual Report.

ITEM 6 - SELECTED FINANCIAL DATA

The information required by this Item is incorporated herein by reference to "Five Year Summary of Operations" on page 32, and to "Dividends Declared on Common Stock" on the inside back cover, of the Registrant's 1998 Annual Report to Stockholders, a copy of which is filed as Exhibit 13 to this Annual Report.

ITEM 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

RESULTS OF OPERATIONS

The information required by this Item is incorporated herein by reference to pages 27 to 31 of the Registrant's 1998 Annual Report to Stockholders, a copy of which is filed as Exhibit 13 to this Annual Report.

Statements included in Management's Discussion and Analysis of Financial Condition and Results of Operations which are not historical in nature are forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements regarding the Company's future performance and financial results are subject to certain risks and uncertainties that could cause actual results to differ materially from those set forth in the forward-looking statements. Allen Telecom Inc.'s Annual Report on Form 10-K and Quarterly Reports on Form 10-Q contain certain detailed factors that could cause the Company's actual results to materially differ from forward-looking statements made by the Company, including, among others, the costs and timetable for new product development, the health and economic stability of the world and national markets, the uncertain level of purchases by current and prospective customers of the Company's products and services, the impact of competitive products and pricing, the successful discovery and correction of potential "Year 2000" computer sensitive problems by both the Company and its key suppliers and customers, the size and scope of the geolocation services market, the timing of governmental requirements and the success of the respective companies in the geolocation services market, and other transactions.

ITEM 7A - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by this Item is incorporated herein by reference to page 31 of the Registrant's 1998 Annual Report to Stockholders, a copy of which is filed as Exhibit 13 to this Annual Report.

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this Item is incorporated herein by reference to the Consolidated Statements of Operations, Consolidated Balance Sheets, Consolidated Statements of Cash Flows and Consolidated Statements of Stockholders' Equity on pages 12 to 15, to the Notes to Consolidated Financial Statements on pages 16 to 25, and to the "Report of Independent Accountants" on

ITEM 9 - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON
ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

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PART III

ITEM 10 - DIRECTORS AND EXECUTIVE OFFICERS OF REGISTRANT

The information required by this Item relating to the Company's executive officers is included on pages 9 to 10 hereof under "EXECUTIVE OFFICERS OF THE REGISTRANT" and is incorporated herein by reference to "EXECUTIVE COMPENSATION AND TRANSACTIONS WITH MANAGEMENT - Employment, Termination of Employment and Change of Control Arrangements" on pages 15 to 16 of the Registrant's definitive proxy statement dated March 19, 1999 and filed with the Securities and Exchange Commission pursuant to Section 14(a) of the Securities Act of 1934. The other information required by this Item is incorporated herein by reference to "ELECTION OF DIRECTORS - Information Regarding Nominees" on pages 1 to 3 of the Registrant's definitive proxy statement dated March 19, 1999 and filed with the Securities and Exchange Commission pursuant to Section 14(a) of the Securities Exchange Act of 1934.

ITEM 11 - EXECUTIVE COMPENSATION

The information required by this Item is incorporated herein by reference to "ELECTION OF DIRECTORS Compensation of Directors" on pages 4 to 5, and to "EXECUTIVE COMPENSATION AND TRANSACTIONS WITH MANAGEMENT" on pages 6 to 18, of the Registrant's definitive proxy statement dated March 19, 1999 and filed with the Securities and Exchange Commission pursuant to Section 14(a) of the Securities Exchange Act of 1934.

ITEM 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item is incorporated herein by reference to "STOCK OWNERSHIP" on pages 18 to 20 of the Registrant's definitive proxy statement dated March 19, 1999 and filed with the Securities and Exchange Commission pursuant to Section 14(a) of the Securities Exchange Act of 1934.

ITEM 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item is incorporated herein by reference to "EXECUTIVE COMPENSATION AND TRANSACTIONS WITH MANAGEMENT - Transactions with Executive Officers and Directors" on page 18 of the Registrant's definitive proxy statement dated March 19, 1999 and filed with the Securities and Exchange Commission pursuant to Section 14(a) of the Securities Exchange Act of 1934.

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PART IV

ITEM 14 - EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) (1) FINANCIAL STATEMENTS OF THE REGISTRANT

The Consolidated Financial Statements of the Registrant listed below, together with the Report of Independent Accountants, dated February 16, 1999, except as to paragraph five of Note 9, which is as of March 1, 1999, are incorporated herein by reference to pages 12 to 26 of the Registrant's

1998 Annual Report to Stockholders, a copy of which is filed as Exhibit 13 to this Annual Report.

Consolidated Statements of Operations for the Years Ended December 31, 1998, 1997 and 1996

Consolidated Balance Sheets at December 31, 1998 and 1997

Consolidated Statements of Cash Flows for the Years Ended December 31, 1998, 1997 and 1996

Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 1998, 1997 and 1996

Notes to Consolidated Financial Statements

Report of Independent Accountants

(2) FINANCIAL STATEMENT SCHEDULES

The following additional information should be read in conjunction with the Consolidated Financial Statements of the Registrant described in Item 14(a)(1) above:

FINANCIAL STATEMENT SCHEDULES OF THE REGISTRANT

Report of Independent Accountants, on page 13 of this Annual Report, relating to the financial statement schedule

Valuation and Qualifying Accounts Schedule, on page 14 of this Annual Report

Schedules other than the schedule listed above are omitted because they are not required or are not applicable.

(3) EXHIBITS*

The information required by this Item relating to Exhibits to this Annual Report is included in the Exhibit Index on pages 17 to 24 hereof.

(b) REPORTS ON FORM 8-K

None.

*A copy of any of the Exhibits to this Annual Report will be furnished to persons who request a copy upon the payment of a fee of \$.25 per page to cover the Company's duplication and handling expenses.

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of Allen Telecom Inc.:

Our report on the consolidated financial statements of Allen Telecom Inc. has been incorporated by reference in this Annual Report on Form 10-K from page 26 of the 1998 Annual Report to Stockholders of Allen Telecom Inc. In connection with our audits of such financial statements, we have also audited the related financial statement schedule listed in the Index on page 12 of this Form 10-K Annual Report.

In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole,

presents fairly, in all material respects, the information required to be included therein.

PricewaterhouseCoopers LLP

Cleveland, Ohio
February 16, 1999,
except as to paragraph five of Note 9,
which is as March 1, 1999

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<TABLE>
<CAPTION>

ALLEN TELECOM INC.
SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS
FOR THE THREE YEARS ENDED DECEMBER 31, 1998
(AMOUNTS IN THOUSANDS)

| Column A | Column B | Column C | Column D | Column E |
|---------------------------------|---|--|------------------------------------|-----------------------------------|
| Description | Balance At Beginning of Period | Additions Charged to Costs and Expenses | Deductions to Other Accounts | Balance at End of Period |
| <S> | <C> | <C> | <C> | <C> |
| Allowance for doubtful accounts | | | | |
| 1998 | \$1,934 | 1,170 | - | (85) (1) \$ 3,189 |
| ===== | ===== | ===== | ===== | ===== |
| 1997 | \$1,610 | 796 | - | 472 (1) \$ 1,934 |
| ===== | ===== | ===== | ===== | ===== |
| 1996 | \$1,232 | 825 | - | 447 (1) \$ 1,610 |
| ===== | ===== | ===== | ===== | ===== |
| Inventory reserves: | | | | |
| 1998 | \$7,607 | 14,718 | - | 6,885 (2) \$ 15,440 |
| ===== | ===== | ===== | ===== | ===== |
| 1997 | \$7,362 | 8,646 | - | 8,401 (2) \$ 7,607 |
| ===== | ===== | ===== | ===== | ===== |
| 1996 | \$7,758 | 8,913 | - | 9,309 (2) \$ 7,362 |
| ===== | ===== | ===== | ===== | ===== |

</TABLE>

- (1) Represents the net amount of the write-off of uncollectible accounts (less recoveries), and foreign currency translation changes.
- (2) Represents the net amount of the write-off of inventory (less recoveries) and foreign currency translation changes.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

ALLEN TELECOM INC.

(Registrant)

By: /s/ Robert A. Youdelman

Robert A. Youdelman
Executive Vice President
Chief Financial Officer and Assistant Secretary

Date: March 26, 1999

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ Robert G. Paul

March 26, 1999

Robert G. Paul, President, Chief Executive
Officer and Director (Principal Executive Officer)

/s/ Robert A. Youdelman

March 26, 1999

Robert A. Youdelman, Executive Vice President
Chief Financial Officer (Principal Financial Officer)

/s/ James L. LePorte

March 26, 1999

James L. LePorte, Vice President, Treasurer
and Controller (Principal Accounting Officer)

/s/ Philip W. Colburn

March 26, 1999

Philip W. Colburn, Chairman of the Board
and Director

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/s/ Jill K. Conway

March 26, 1999

Jill K. Conway, Director

March 26, 1999

Albert H. Gordon, Director

March 26, 1999

William O. Hunt, Director

March 26, 1999

J. Chisholm Lyons, Director

March 26, 1999

/s/ John F. McNiff

March 26, 1999

John F. McNiff, Director

March 26, 1999

/s/ Charles W. Robinson

March 26, 1999

Charles W. Robinson, Director

/s/ Martyn F. Roetter

March 26, 1999

Martyn F. Roetter, Director

/s/ William M. Weaver, Jr.

March 26, 1999

William M. Weaver, Jr., Director

March 26, 1999

Gary B. Smith, Director

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EXHIBIT INDEX

<TABLE>
<CAPTION>

| Exhibit Numbers | Pages |
|--|-------|
| ----- | |
| <S> <C> | <C> |
| (3) Certificate of Incorporation and By Laws - | |
| (a) Second Restated Certificate of Incorporation (filed as Exhibit Number 4(a) to Registrant's Registration Statement on Form S-8, Registration No. 333-51739, filed on May 4, 1998 (Commission file number 1-6016) and incorporated herein by reference)..... | - |
| (b) Certificate of Designation, Preferences and Rights of Series C Junior Participating Preferred Stock (filed as Exhibit Number 4(c) to Registrant's Registration Statement on Form S-8 Registration No. 333-51739, filed on May 4, 1998 (Commission file number 1-6-16) and incorporated herein by reference)..... | - |
| (c) By-Laws, as amended through February 16, 1999..... | 18 |
| (4) Instruments defining the rights of security holders - | |
| (a) Rights Agreement, dated as of January 20, 1998, between the Registrant and Harris Trust Company of New York, as Rights Agent (filed as Exhibit Number 4.1 to Registrant's Form 8-K Registration Statement on Form 8-A, filed on January 9, 1998 (Commission file number 1-6016) and incorporated herein by reference) | - |
| (b) Credit Agreement, dated as of December 31, 1998, among the Registrant, MARTA Technologies, Inc., the Banks signatories thereto, NBD Bank, as Documentation Agent, and Key Bank National Association, as Swing Line Lender, Syndication Agent and Administrative Agent..... | 35 |
| (c) Note Purchase Agreement, dated as of November 1, 1997, among the Registrant and the insurance companies signatories thereto (filed as Exhibit Number 4(c) to Registrant's Form 10-K Annual Report for the fiscal year ended December 31, 1997 (Commission file number 1-6-16) and incorporated herein by reference)..... | - |
| Additional information concerning Registrant's long-term debt is set forth in Note 2, "Financing," of the Notes to Consolidated Financial Statements on page 17 of Registrant's 1998 Annual Report to Stockholders, a copy of which is filed as Exhibit 13 to this Report. Other than the Credit Agreement and Note Purchase Agreement referred to above, no instrument defining the rights of holders of such long-term debt relates to securities having an aggregate principal amount in excess of 10% of the consolidated assets of Registrant and its subsidiaries; therefore, in accordance with paragraph (iii) of Item 4 of Item 601(b) of Regulation S-K, the other instruments defining the rights of holders of long-term debt are not filed herewith. Registrant hereby agrees to furnish a copy of any such other instrument to the Securities and Exchange Commission upon request | |

</TABLE>

<TABLE>

| <S> | <C> | <C> |
|------|--|-----|
| (10) | Material contracts (Other than Exhibit 10(a), all of the exhibits listed as material contracts hereunder are management contracts or compensatory plans or arrangements required to be filed as exhibits to this Report pursuant to Item 14(c) of this Report.). | - |
| (a) | Allen Telecom Inc. 1982 Stock Plan, as amended through November 3, 1987 (filed as Exhibit Number 10(c) to Registrant's Form 10-K Annual Report for the fiscal year ended December 31, 1987 (Commission file number 1-6016) and incorporated herein by reference) | - |
| (b) | Amendment, dated as of December 4, 1990, to the Allen Telecom Inc. 1982 Stock Plan, as amended (filed as Exhibit Number 10(d) to Registrant's Form 10-K Annual Report for the fiscal year ended December 31, 1990 (Commission file number 1-6016) and incorporated herein by reference) | - |
| (c) | Amendment, dated as of June 14, 1995, to the Allen Telecom Inc. 1982 Stock Plan, as amended (filed as Exhibit Number 10.1 to Registrant's Form 10-Q Quarterly Report for the quarterly period ended June 30, 1995 (Commission file number 1-6016) and incorporated herein by reference) | - |
| (d) | Amendment, dated as of February 28, 1997, to the Allen Telecom Inc. 1982 Stock Plan, as amended (filed as Exhibit Number 10(e) to Registrant's Form 10-K Annual Report for the fiscal year ended December 31, 1996 (Commission file number 1-6016) and incorporated herein by reference) | - |
| (e) | Form of Restricted Stock Agreement pursuant to the Allen Telecom Inc. 1982 Stock Plan, as amended (filed as Exhibit Number 10(e) to Registrant's Form 10-K Annual Report for the fiscal year ended December 31, 1990 (Commission file number 1-6016) and incorporated herein by reference) | - |
| (f) | Allen Telecom Inc. 1992 Stock Plan, as amended and restated as of May 1, 1998 (filed as Exhibit Number 4(e) to Registrant's Registration Statement on Form S-8, Registration No. 333-51739, filed on May 4, 1998 (Commission file number 1-6016) and incorporated herein by reference) | - |
| (g) | Form of Restricted Stock Agreement pursuant to Allen Telecom Inc. 1992 Stock Plan (Salary Increase Deferral), dated April 28, 1992, entered into by the Registrant with certain executive and divisional officers (filed as Exhibit Number 10(g) to Registrant's Form 10-K Annual Report for the fiscal year ended December 31, 1992 (Commission file number 1-6016) and incorporated herein by reference) | - |
| (h) | Form of Restricted Stock Agreement pursuant to Allen Telecom Inc. 1992 Stock Plan (Salary Increase Deferral), dated November 30, 1993, entered into by the Registrant with certain executive and divisional officers (filed as Exhibit Number 10(g) to Registrant's Form 10-K Annual Report for the fiscal year ended December 31, | - |

</TABLE>

<TABLE>

| <S> | <C> | <C> |
|-----|---|-----|
| | 1993 (Commission file number 1-6016) and incorporated herein by reference) | - |
| (i) | Amendment to Restricted Stock Agreements pursuant to 1992 Stock Plan (Salary Increase Deferral), dated February 22, 1995 (filed as Exhibit Number 10(l) to Registrant's Form 10-K Annual Report for the fiscal year ended December 31, 1994 (Commission file number 1-6016) and incorporated herein by reference) | - |
| (j) | Amendment to Restricted Stock Agreements pursuant to 1992 Stock | - |

| | |
|--|-----|
| Plan (Salary Increase Deferral), dated April 25, 1997 (filed as Exhibit Number 10 to Registrant's Form 10-Q Quarterly Report for the quarter ended March 31, 1997 (Commission file number 1-6016) and incorporated herein by reference)..... | - |
| (k) Amendment to 1992 Restricted Stock Agreements pursuant to 1992 Stock Plan (Salary Increase Deferral), dated February 17, 1998 (filed as Exhibit Number 10(q) to Registrant's Form 10-K Annual Report for the fiscal year ended December 31, 1997 (Commission file number 1-6016) and incorporated herein reference)..... | - |
| (l) Form of Restricted Stock Agreement pursuant to Allen Telecom Inc. 1992 Stock Plan (Salary Increase Deferral), dated January 12, 1999, entered into by the Registrant with certain executive and divisional officers..... | 128 |
| (m) Form of Non-Qualified Option to Purchase Stock granted to certain directors of the Registrant on September 12, 1989 (filed as Exhibit Number 10(e) to Registrant's Form 10-K Annual Report for the fiscal year ended December 31, 1989 (Commission file number 1-6016) and incorporated herein by reference) | - |
| (n) Form of Non-Qualified Option to Purchase Stock granted to certain directors of the Registrant on February 19, 1997 (filed as Exhibit Number 10(q) to Registrant's Form 10-K Annual Report for the Fiscal year ended December 31, 1996 (Commission filed number 1-6016) and incorporated herein by reference)..... | - |
| (o) Allen Telecom Inc. 1994 Non-Employee Directors Stock Option Plan (filed as Exhibit A to Registrant's Proxy Statement dated March 17, 1994 (Commission file number 1-6016) and incorporated herein by reference) | - |
| (p) First Amendment, dated as of February 28, 1997, to the Allen Telecom Inc. 1994 Non-Employee Directors Stock Option Plan (filed as Exhibit Number 10(s) to Registrant's Form 10-K Annual Report for the fiscal year ended December 31, 1996 (Commission file number 1-6016) and incorporated herein by reference)..... | - |
| (q) Second amendment, dated as of February 17, 1998, to the Allen Telecom Inc. 1994 Non-Employee Directors Stock Option Plan (filed as Exhibit Number 10(r) to Registrant's Form 10-K Annual Report for the fiscal year ended December 31, 1997 (Commission file number 1-6016) and incorporated herein by reference)..... | - |

</TABLE>

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<TABLE>

| <S> | <C> | <C> |
|---|-----|-----|
| (r) Form of Non-Qualified Option to Purchase Stock pursuant to the Allen Telecom Inc. 1994 Non-Employee Directors Stock Option Plan (filed as Exhibit Number 10(o) to Registrant's Form 10-K Annual Report for the fiscal year ended December 31, 1994 (Commission file number 1-6016) and incorporated herein by reference)..... | - | |
| (s) Allen Telecom Inc. Amended and Restated Key Management Deferred Bonus Plan (incorporating all amendments through February 27, 1992) (filed as Exhibit Number 10(i) to Registrant's Form 10-K Annual Report for the fiscal year ended December 31, 1992 (Commission file number 1-6016) and incorporated herein by reference)..... | - | |
| (t) Amendment, dated as of February 28, 1997, to the Allen Telecom Inc. Amended and Restated Key Management Deferred Bonus Plan (filed as Exhibit Number 10(v) to Registrant's Form 10-K Annual Report for the fiscal year ended December 31, 1996 (Commission file number 1-6016) and incorporated herein by reference)..... | - | |
| (u) Form of Restricted Stock Agreement pursuant to the Allen Telecom Inc. 1992 Stock Plan and Key Management Deferred Bonus Plan (filed as Exhibit Number 10(j) to Registrant's Form 10-K Annual Report for the fiscal year ended December 31, 1992 (Commission file number 1-6016) and incorporated herein by reference)..... | - | |
| (v) Form of Severance Agreement, dated as of September 9, 1998, entered into by the Registrant with certain executive officers, officers and division presidents | 136 | |

| | | |
|-----|---|---|
| (w) | Allen Telecom Inc. Master Discretionary Severance Pay Plan, effective January 1, 1993 (filed as Exhibit Number 10(t) to Registrant's Form 10-K Annual Report for the fiscal year ended December 31, 1994 (Commission file number 1-6016) and incorporated herein by reference)..... | - |
| (x) | First Amendment, dated as of February 28, 1997, to the Allen Telecom Inc. Master Discretionary Severance Pay Plan (filed as Exhibit Number 10(aa) to Registrant's Form 10-K Annual Report for the fiscal year ended December 31, 1996 (Commission file number 1-6016) and incorporated herein by reference)..... | - |
| (y) | Allen Telecom Inc. Key Employee Severance Policy adopted by the Registrant on November 3, 1987 (filed as Exhibit Number 10(h) to Registrant's Form 10-K Annual Report for the fiscal year ended December 31, 1987 (Commission file number 1-6016) and incorporated herein by reference)..... | - |
| (z) | Amendment, dated May 14, 1991, to the Allen Telecom Inc. Key Employee Severance Policy adopted by the Registrant on November 3, 1987 (filed as Exhibit Number 10(n) to Registrant's Form 1-K Annual Report for the fiscal year ended December 31, 1992 (Commission file number 1-6016) and incorporated herein by reference)..... | - |

</TABLE>

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<TABLE>

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<C>

- (aa) Amendment No. 2, dated February 22, 1996, to the Allen Telecom Inc. Key Employee Severance Policy (filed as Exhibit Number 10(x) to Registrant's Form 10-K Annual Report for the fiscal year ended December 31, 1995 (Commission file number 1-6016) and incorporated herein by reference).....
- (bb) Amendment No. 3, dated as of September 12, 1996, to the Allen Telecom Inc. Key Employee Severance Policy (filed as Exhibit Number 10 to Registrant's Form 10-Q Quarterly Report for the quarter ended September 30, 1996 (Commission file Number 1-6016) and incorporated herein by reference).....
- (cc) Amendment No. 4, dated as of February 28, 1997, to the Allen Telecom Inc. Key Employee Severance Policy (filed as Exhibit Number 10(ff) to Registrant's Form 10-K Annual Report for the fiscal year ended December 31, 1996 (Commission file number 1-6016) and incorporated herein by reference).....
- (dd) Employment Agreement, dated June 28, 1998, between the Registrant and Philip Wm. Colburn (filed as Exhibit Number 10(m) to Registrant's Form 10-K Annual Report for the fiscal year ended December 31, 1998 (Commission file number 1-6016) and incorporated herein by reference).....
- (ee) Amendment, dated as of February 27, 1992, of Employment Agreement, dated June 28, 1988, between the Registrant and Philip Wm. Colburn (filed as Exhibit Number 10(p) to Registrant's Form 10-K Annual Report for the fiscal year ended December 31, 1992 (Commission file number 1-6016) and incorporated herein by reference).....
- (ff) Amendment, dated as of February 26, 1991, of Employment Agreement, dated June 28, 1998, between the Registrant and Philip Wm. Colburn (filed as Exhibit Number 10(n) to Registrant's Form 10-K Annual Report for the fiscal year ended December 31, 1990 (Commission file number 1-6016) and incorporated herein by reference).....
- (gg) Amendment and Restated Post Employment Consulting Agreement, dated as of December 20, 1990, between the Registrant and Philip Wm. Colburn (filed as Exhibit Number 10(o) to Registrant's Form 10-K Annual Report for the fiscal year ended December 31, 1990 (Commission file number 1-6016) and incorporated herein by reference).....
- (hh) First Amendment to Amended and Restated Post Employment Consulting Agreement, dated as of February 19, 1997, between the Registrant and Philip Wm. Colburn (filed as Exhibit Number 10(kk) to Registrant's Form 10-K Annual Report for the fiscal

year ended December 31, 1996 (Commission file number 1-6016)
and incorporated herein by reference)..... -

- (ii) Amended and Restated Supplemental Pension Benefit Agreement,
dated as of December 20, 1990, between the Registrant and
Philip Wm. Colburn (filed as Exhibit Number 10(p) to

</TABLE>

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<TABLE>
<S>

<C>

Registrant's Form 10-K Annual Report for the fiscal year ended
December 31, 1990 (Commission file number 1-6016) and
incorporated herein by reference)..... -

- (jj) Amendment, dated as of August 1, 1997, of Amended and Restated
Supplemental Pension Benefit Agreement, dated as of December
20, 1990, between the Registrant and Philip Wm. Colburn (filed
as Exhibit Number 10(pp) to Registrant's Form 10-K Annual
Report for the fiscal year ended December 31, 1997 (Commission
file number 1-6016) and incorporated herein by reference..... -
- (kk) Split Dollar Insurance Agreement, dated as of July 1, 1991, between
the Registrant and Philip Wm. Colburn (filed as Exhibit Number
10(u) to Registrant's Form 10-K Annual Report for the fiscal year
ended December 31, 1992 (Commission file number 1-6016) and
incorporated herein by reference)..... -
- (ll) Supplemental Pension Benefit Agreement, dated as of December 6,
1983, between the Registrant and J. Chisholm Lyons (filed as Exhibit
Number 10(r) to Registrant's Form 10-K Annual Report for the fiscal
year ended December 31, 1983 (Commission file number 1-6016)
and incorporated herein by reference)..... -
- (mm) Amendment, dated as of December 20, 1990, of Supplemental
Pension Benefit Agreement, dated as of December 6, 1983,
between the Registrant and J. Chisholm Lyons (filed as
Exhibit Number 10(s) to Registrant's Form 10-K Annual Report
for the fiscal year ended December 31, 1990 (Commission file
number 1-6016) and incorporated herein by reference)..... -
- (nn) Amendment, dated as of August 1, 1997 of Supplemental Pension
Benefit Agreement, dated as of December 6, 1983 between the
Registrant and J. Chisholm Lyons (filed as Exhibit No. 10(uu))
to Registrant's Form 10-K Annual Report for the fiscal year
ended December 31, 1997 (Commission file number
1-6016) and incorporated hereby reference..... -
- (oo) Post Employment Consulting Agreement, dated as of September
12, 1989, between the Registrant and J. Chisholm Lyons (filed
as Exhibit Number 10(s) to Registrant's Form 10-K Annual
Report for the fiscal year ended December 31, 1989 (Commission
file number 1-6016) and incorporated herein by reference)..... -
- (pp) Amendment, dated as of December 20, 1990, of Post Employment
Consulting Agreement, dated as of September 12, 1989 between
the Registrant and J. Chisholm Lyons (filed as Exhibit Number
10(u) to Registrant's Form 10-K Annual Report for the fiscal
year ended December 31, 1990 (Commission file number 1-6016)
and incorporated herein by reference)..... -
- (qq) Employment Agreement, dated June 25, 1991, between the
Registrant and Robert G. Paul (filed as Exhibit Number 10(x))
to Registrant's Form 10-K Annual Report for the fiscal year

</TABLE>

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<TABLE>

<S>

<C>

ended December 31, 1991 (Commission file number
1-6016) and incorporated herein by reference)..... -

- (rr) Supplemental Target Pension Benefit Agreement, dated as of
January 1, 1996, between the Registrant and Robert G. Paul
(filed as Exhibit Number (kk) to Registrant's Form 10-K Annual
Report for the fiscal year ended December 31, 1995 (Commission
file number 1-6016) and incorporated herein by reference)..... -

- (ss) Amendment, dated as of August 1, 1997, of Supplemental Target Pension Benefit Agreement, dated as of January 1, 1996, between the Registrant and Robert G. Paul (filed as Exhibit Number 10(zz) to Registrant's Form 10-K Annual Report for the fiscal year ended December 31, 1997 (Commission file number 1-6016) and incorporated herein by reference)..... -
- (tt) Form of Split Dollar Insurance Agreement, dated as of November 1, 1991, entered into by the registrant with certain executive and divisional officers (filed as Exhibit Number 10(bb) to Registrant's Form 10-K Annual Report for the fiscal year ended December 31, 1992 (Commission file number 1-6016) and incorporated herein by reference)..... -
- (uu) Allen Telecom Inc. Deferred Compensation Plan, effective December 1, 1995 (filed as Exhibit Number 10(mm) to Registrant's Form 10-K Annual Report for the fiscal year ended December 31, 1995 (Commission file number 1-6016) and incorporated herein by reference)..... -
- (vv) First Amendment to the Allen Telecom Inc. Deferred Compensation Plan dated as of February 28, 1997 (filed as Exhibit Number 10(ww) to Registrant's Form 10-K Annual Report for the fiscal year ended December 31, 1996 (Commission file number 1-6016) and incorporated herein by reference)..... -
- (ww) Allen Telecom Inc. Restoration Plan, effective January 1, 1996 (filed as Exhibit Number 10(nn) to Registrant's Form 10-K Annual Report for the fiscal year ended December 31, 1995 (Commission file number 1-6016) and incorporated herein by reference)..... -
- (xx) First Amendment to the Allen Telecom Inc. Restoration Plan, dated as of February 28, 1997 (filed as Exhibit Number 10(yy) to Registrant's Form 10-K Annual Report for the fiscal year ended December 31, 1996 (Commission file number 1-6016) and incorporated herein by reference)..... -
- (yy) Comsearch Division Supplemental Savings Plan, effective January 1, 1995 (filed as Exhibit Number 10(oo) to Registrant's Form 10-K Annual Report for the fiscal year ended December 31, 1995 (Commission file number 1-6016) and incorporated herein by reference)..... -
- (zz) First Amendment to the Comsearch Division Supplemental Savings Plan, dated as of February 28, 1997 (filed as Exhibit

</TABLE>

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<TABLE>
<S>

<C>

Number 10(aaa) to Registrant's Form 10-K Annual Report for the fiscal year ended December 31, 1996 (Commission file number 1-6016) and incorporated herein by reference)..... -

- (aaa) Form of Supplemental Target Pension Benefit Agreement, dated as of January 1, 1996, entered into by the Registrant with certain executive and divisional officers (filed as Exhibit Number 10(pp) to Registrant's Form 10-K Annual Report for the fiscal year ended December 31, 1995 (Commission file number 1-6016) and incorporated herein by reference)..... -
- (bbb) Form of Amendment, dated as of August 1, 1997, of Supplemental Target Pension Benefit Agreement, dated as of January 1, 1996, entered into by the Registrant with certain executive and divisional officers (filed as Exhibit Number 10(kkk) to Registrant's Form 10-K Annual Report for the fiscal year ended December 31, 1997 (Commission file number 1-6016) and incorporated herein by reference)..... -
- (ccc) Allen Telecom Inc. Executive Benefit Plan, as amended and restated effective October 15, 1997 (filed as Exhibit Number 10(jjj) to Registrant's Form 10-K Annual Report for the fiscal year ended December 31, 1997 (Commission file number 1-6016) and incorporated herein by reference)..... -
- (11) Statement re Computation of Earnings Per Common Share..... 148
- (13) 1998 Annual Report to Stockholders*..... 149

| | | |
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| (21) | Subsidiaries of the Registrant..... | 185 |
| (23) | Consent of Independent Accountants..... | 187 |
| (27) | Financial Data Schedule..... | 188 |

* Furnished for the information of the Securities and Exchange Commission and not to be deemed "Filed" as part of this Report except for the Consolidated Financial Statements of the Registrant and the Accountants' Report on pages 12 to 26 of said Annual Report to Stockholders and the other information incorporated by reference) in Items 1 and 3 of Part I hereof and Items 5 to 8 of Part II hereof.

A copy of any of these Exhibits will be furnished to persons who request a copy upon the payment of a fee of \$.25 per page to cover the Company's duplication and handling expenses.

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As amended and restated through
February 16, 1999

ALLEN TELECOM INC.

* * * * *

B Y - L A W S

* * * * *

ARTICLE I

OFFICES

Section 1. The registered office shall be in the City of Wilmington, County of New Castle, State of Delaware.

Section 2. The corporation may also have offices at such other places both within and without the State of Delaware as the board of directors may from time to time determine or the business of the corporation may require.

ARTICLE II

MEETING OF STOCKHOLDERS

Section 1. All meetings of the stockholders for the election of directors shall be held in the offices of the corporation in Beachwood, Ohio, or at such other place either within or without the State of Delaware as shall be designated from time to time by the board of directors and stated in the notice of the meeting. Meetings of stockholders for any other purpose may be held at such time and place, within or without the State of Delaware, as shall be stated in the notice of the meeting or in a duly executed waiver of notice thereof.

Section 2. Annual meetings of stockholders, commencing with the year 1974, shall be held on the fourth Tuesday in April if not a legal holiday, and if a legal holiday, then on the next secular day following, at 10:00 A.M., or at such other date and time as shall be designated from time to time by the board of directors and stated in the notice of the meeting, at which they shall elect a board of directors by a plurality vote, which may or may not be by written ballot as determined by the board of directors, and transact such other business as may properly be brought before the meeting.

Section 3. Written notice of the annual meeting stating the place, date and hour of the meeting shall be given to each stockholder entitled to vote at such meeting at least ten (10) days before the date of the meeting.

Section 4. The officer who has charge of the stock ledger of the corporation shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

Section 5. Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by statute or by the certificate of incorporation, may be called by the chairman of the board or president and shall be called by the chairman of the board, president or secretary at the request in writing of a majority of the board of directors, or at the request in writing of stockholders owning a majority in amount of the entire capital stock of the corporation issued and outstanding and entitled to vote. Such request shall state the purpose or purposes of the proposed meeting.

Section 6. Written notice of a special meeting stating the place, date and hour of the meeting and the purpose or purposes for which the meeting is called shall be given at least ten (10) days before the date of the meeting, to each stockholder entitled to vote at such meeting.

Section 7. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice.

Section 8. The holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute or by the certificate of incorporation. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting, at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to

vote at the meeting.

2

3

Section 9. When a quorum is present at any meeting, the vote of the majority of shares present in person or represented by proxy at the meeting and entitled to vote on the subject matter shall decide any question brought before such meeting, unless the question is one upon which by express provision of the statutes or of the certificate of incorporation, a different vote is required in which case such express provision shall govern and control the decision of such question.

Section 10. Each stockholder shall at every meeting of the stockholders be entitled to one (1) vote in person or by proxy for each share of the capital stock having voting power held by such stockholder, but no proxy shall be voted on after three (3) years from its date, unless the proxy provides for a longer period.

Section 11. Whenever the vote of stockholders at a meeting thereof is required or permitted to be taken for or in connection with any corporate action, by any provision of the statutes, the meeting and vote of stockholders may be dispensed with if all of the stockholders who would have been entitled to vote upon the action if such meeting were held shall consent in writing to such corporate action being taken; or if the certificate of incorporation authorizes the action to be taken with the written consent of the holders of less than all of the stock who would have been entitled to vote upon the action if a meeting were held, then on the written consent of the stockholders having not less than such percentage of the number of votes as may be authorized in the certificate of incorporation; provided that in no case shall the written consent be by the holders of stock having less than the minimum percentage of the vote required by statute for the proposed corporate action, and provided that prompt notice must be given to all stockholders of the taking of corporate action without a meeting and by less than unanimous written consent.

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Section 12. In order that the corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the board of directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the board of directors, and which date shall not be more than ten (10) days after the date

upon which the resolution fixing the record date is adopted by the board of directors. Any stockholders of record seeking to have the stockholders authorize or take corporate action by written consent shall, by written notice to the secretary, request the board of directors to fix a record date. The board of directors shall promptly, but in all events within ten (10) days after the date on which such a request is received, adopt a resolution fixing the record date. If no record date has been fixed by the board of directors within ten (10) days following the receipt of such a request, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the board of directors is required by applicable law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the corporation by delivery to its registered office in the State of Delaware, its principal place of business, or an officer or agent of the corporation having custody of the book in which proceedings of stockholders meetings are recorded, to the attention of the secretary of the corporation. Delivery shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the board of directors and prior action by the board of directors is required by applicable law, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the date on which the board of directors adopts the resolution taking such prior action.

Section 13. In advance of any meeting of stockholders, the board of directors may appoint three or more inspectors of election, who need not be stockholders, as to the matters to be submitted to a vote at any such meeting. The inspectors of election shall (i) determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum and the authenticity, validity and effect of proxies, (ii) receive votes or ballots, (iii) hear and determine all challenges and questions arising in any way in connection with the right to vote, (iv) count and tabulate all votes and (v) determine and report to the meeting the results. The inspectors shall take an oath that they will perform their duties impartially, in good faith, and to the best of their ability and as expeditiously as is practical. In the absence of appointment by the board of directors, the inspectors may be appointed by the chairman of the board or the president.

ARTICLE III

DIRECTORS

Section 1. The number of directors which shall constitute the whole board shall be not less than three (3) nor more than fifteen (15), as may be designated from time

to time by the board of directors. The directors shall be elected at the annual

meeting of stockholders, except as provided in Section 2 of this Article, and each director elected shall hold office until his successor is elected and qualified. Directors need not be stockholders.

Section 2. Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, though less than a quorum, or by a sole remaining director, and the directors so chosen shall hold office until the next annual election and until their successors are duly elected and shall qualify, unless sooner displaced. If there are no directors in office, then an election of directors may be held in the manner provided by statute. If, at the time of filling any vacancy or any newly created directorship, the directors then in office shall constitute less than a majority of the whole board (as constituted immediately prior to any such increase), the Court of Chancery may, upon application of any stockholder or stockholders holding at least ten percent (10%) of the total number of the shares at the time outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in office.

Section 3. The business of the corporation shall be managed by its board of directors which may exercise all such powers of the corporation and do all such lawful acts and things as are not by statute or by the certificate of incorporation or by these by-laws directed or required to be exercised or done by the stockholders.

THE CHAIRMAN OF THE BOARD

Section 4. The board of directors may choose a chairman of the board who shall hold the position until his or her successor is chosen and qualifies and who may be removed at any time by the affirmative vote of a majority of the board of directors. Any vacancy occurring in the position of chairman of the board may be filled by the board of directors. The chairman of the board shall preside at all meetings of the board of directors and stockholders, and shall have such other powers and duties as may from time to time be prescribed by the board of directors, upon written directions given to him or her pursuant to resolutions duly adopted by the board of directors. The chairman of the board shall not be an officer of the corporation.

THE VICE CHAIRMAN OF THE BOARD

Section 5. The board of directors may choose a vice chairman of the board who shall hold the position until his or her successor is chosen and qualifies and who may be removed at any time by the affirmative vote of a majority of the board of directors. Any vacancy occurring in the position of vice chairman of the board may be filled by the board of directors. The vice chairman of the board shall perform the duties of the chairman of the board in the absence of the chairman or in the event of his or her inability or refusal to act, and also shall perform such other duties as the board of directors may

from time to time prescribe. The vice chairman of the board shall not be an officer of the corporation.

MEETINGS OF THE BOARD OF DIRECTORS

Section 6. The board of directors of the corporation may hold meetings, both regular and special, either within or without the State of Delaware.

Section 7. The first meeting of each newly elected board of directors shall be held without other notice than this by-law immediately after and at the same place as the annual meeting of stockholders. In the event such meeting is not held at said time and place, the meeting may be held at such time and place as shall be specified in a notice given as hereinafter provided for special meetings of the board of directors or as shall be specified in a written waiver signed by all the directors.

Section 8. Regular meetings of the board of directors may be held without notice at such time and at such place as shall from time to time be determined by the board.

Section 9. Special meetings of the board of directors for any purpose or purposes may be called by the chairman of the board or president, and the chairman of the board, president or the secretary shall call a special meeting upon request of two directors. If given personally, by telephone or by telegram, the notice shall be given at least the day prior to the meeting. Notice may be given by mail if it is mailed at least five days before the meeting. In the event of an emergency which in the judgment of the chairman of the board or president requires immediate action, a special meeting may be convened without notice, consisting of those directors who are immediately available by telephone and can be joined in the meeting by conference telephone. The actions taken at such a meeting shall be valid if at least a quorum of the directors participates either personally or by conference telephone.

Section 10. At all meetings of the board, a majority of the total number of directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the board of directors, except as may be otherwise specifically provided by statute or by the certificate of incorporation. If a quorum shall not be present at any meeting of the board of directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 11. Unless otherwise restricted by the certificate of incorporation or these by-laws, any action required or permitted to be taken at any meeting of the board of directors or of any committee thereof may be taken without a

meeting, if all members of the board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the board or committee.

COMMITTEES OF DIRECTORS

Section 12. The board of directors may, by resolution passed by a majority of the whole board, designate one (1) or more committees, each committee to consist of one (1) or more of the directors of the corporation. The board may designate one (1) or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. Any such committee, to the extent provided in the resolution, shall have and may exercise the powers of the board of directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers which may require it; provided, however, that in the absence or disqualification of any member of such committee or committees, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the board of directors to act at the meeting in the place of any such absent or disqualified member. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the board of directors.

Section 13. Each committee shall keep regular minutes of its meetings and report the same to the board of directors when required.

COMPENSATION OF DIRECTORS

Section 14. The directors may be paid their expenses, if any, of attendance at each meeting of the board of directors and may be paid a fixed sum for attendance at each meeting of the board of directors or a stated salary as director. No such payment shall preclude any director from serving the corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

ARTICLE IV

NOTICES

Section 1. Whenever, under the provisions of the statutes or of the certificate of incorporation or of these by-laws, notice is required to be given to any director or stockholder, it shall not be construed to mean personal notice, but such notice may be given in writing, by mail, addressed to such director or stockholder, at his address as it appears on the records of the corporation, with postage thereon prepaid, and such notice shall be deemed to be

given at the time when the same shall be deposited in the United States mail. Notice to directors may also be given by telegram.

Section 2. Whenever any notice is required to be given under the provisions of the statutes or of the certificate of incorporation or of these by-laws, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

ARTICLE V

OFFICERS

Section 1. The officers of the corporation shall be chosen by the board of directors and shall be a president, a vice-president, a secretary, a treasurer and a controller. The board of directors may also choose a chief executive officer, a chief operating officer, a chief financial officer, additional vice-presidents, including senior vice-presidents, group vice-presidents and assistant vice-presidents, and one (1) or more assistant secretaries, assistant treasurers and assistant controllers. Any number of offices may be held by the same person, unless the certificate of incorporation or these by-laws otherwise provide.

Section 2. The board of directors at its first meeting after each annual meeting of stockholders shall choose a president, one (1) or more vice-presidents, a secretary, a treasurer and a controller.

Section 3. The board of directors may appoint such other officers and agents as it shall deem necessary who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the board.

Section 4. The salaries of all officers and agents of the corporation shall be fixed by the board of directors.

Section 5. The officers of the corporation shall hold office until their successors are chosen and qualify. Any officer elected or appointed by the board of directors may be removed at any time by the affirmative vote of a majority of the board of directors. Any vacancy occurring in any office of the corporation shall be filled by the board of directors.

THE PRESIDENT

Section 6. The president shall have general and active management of the business of the corporation and shall see that all orders and resolutions of the

board of directors are carried into effect, and in the absence of the chairman of the board and the vice chairman of the board or in the event of their inability or refusal to act shall preside at all meetings of the stockholders and the board of directors.

Section 7. He shall possess the power to sign all certificates, contracts and other instruments which may be authorized by the board of directors, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the board of directors to some other officer or agent of the corporation.

CHIEF EXECUTIVE OFFICER

Section 8. The board of directors may from time to time appoint a chief executive officer who shall, subject to the control of the board of directors, have responsibility for the general supervision of all aspects of the business of the corporation and corporate development, expansion and contraction and long-range planning of the corporation, including, without limitation, the acquisition, development and disposition of facilities necessary to implement the foregoing. The chief executive officer shall have and exercise such further powers and duties as may be specifically delegated or vested in him from time to time by these by-laws or by the board of directors. He shall possess the power to sign all certificates, contracts and other instruments which may be authorized by the board of directors, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the board of directors to some other officer or agent of the corporation. The chief executive officer may combine his duties with those of any other office assigned to him by the board of directors.

CHIEF OPERATING OFFICER

Section 9. The board of directors may from time to time appoint a chief operating officer who shall, subject to the control of the board of directors, have responsibility for the operations and functioning of the corporation's operating units and programs and the allocation among the corporation's operating units and programs of other officers and principal executive personnel of the corporation. The chief operating officer shall also perform such other duties and have such other powers as may be assigned to him by the board of directors. He shall possess the power to sign all certificates, contracts and other instruments which may be authorized by the board of directors, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the board of directors to some other officer or agent of the corporation. The chief operating officer may combine his duties with those of any other office assigned to him by the board of directors.

CHIEF FINANCIAL OFFICER

Section 10. The board of directors may from time to time appoint a chief financial officer who shall, subject to the control of the board of directors, have responsibility for the corporation's finances and financial planning, the allocation among the corporation's operating units and programs of the corporation's financial resources

and the corporation's internal accounting, auditing and financial controls. The chief financial officer shall also perform such other duties and have such other powers as may be assigned to him by the board of directors. He shall possess the power to sign all certificates, contracts and other instruments which may be authorized by the board of directors, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the board of directors to some other officer or agent of the corporation. The chief financial officer may combine his duties with those of any other office assigned to him by the board of directors.

THE SENIOR VICE-PRESIDENTS AND VICE-PRESIDENTS

Section 11. In the absence of the president or in the event of his inability or refusal to act, the senior vice-president or vice-president (or in the event there be more than one (1) senior vice-president or vice-president, the senior vice-presidents or vice-presidents in the order designated, or in the absence of any designation, then in the order of their election) shall perform the duties of the president, and when so acting, shall have all the powers of and be subject to all the restrictions upon the president. They shall possess the power to sign all certificates, contracts and other instruments which may be authorized by the board of directors, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the board of directors to some other officer or agent of the corporation. The senior vice-presidents and vice-presidents shall perform such other duties and have such other powers as the board of directors may from time to time prescribe.

THE SECRETARY AND ASSISTANT SECRETARIES

Section 12. The secretary shall attend all meetings of the board of directors and all meetings of the stockholders and record all the proceedings of the meetings of the corporation and of the board of directors in a book to be kept for that purpose and shall perform like duties for the standing committees when required. He shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the board of directors, and shall perform such other duties as may be prescribed by the board of directors or president, under whose supervision he shall be. He shall have custody of the

corporate seal of the corporation and he, or an assistant secretary, shall have authority to affix the same to any instrument requiring it and when so affixed, it may be attested by his signature or by the signature of such assistant secretary. The board of directors may give general authority to any other officer to affix the seal of the corporation and to attest the affixing by his signature.

Section 13. The assistant secretary, or if there be more than one (1), the assistant secretaries in the order determined by the board of directors (or if there be no such determination, then in the order of their election), shall, in the absence of the secretary or in the event of his inability or refusal to act, perform the duties and exercise

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the powers of the secretary and shall perform such other duties and have such other powers as the board of directors may from time to time prescribe.

THE TREASURER AND ASSISTANT TREASURERS

Section 14. The treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the corporation in such depositories as may be designated by the board of directors.

Section 15. He shall disburse the funds of the corporation as may be ordered by the board of directors, taking proper vouchers for such disbursements, and shall render to the president and the board of directors, at its regular meetings, or when the board of directors so requires, an account of all his transactions as treasurer and of the financial condition of the corporation.

Section 16. If required by the board of directors, he shall give the corporation a bond (which shall be renewed every six (6) years) in such sum and with such surety or sureties as shall be satisfactory to the board of directors for the faithful performance of the duties of his office and for the restoration to the corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the corporation.

Section 17. The assistant treasurer, or if there shall be more than one (1), the assistant treasurers in the order determined by the board of directors (or if there be no such determination, then in the order of their election), shall, in the absence of the treasurer or in the event of his inability or refusal to act, perform the duties and exercise the powers of the treasurer and shall perform such other duties and have such other powers as the board of

directors may from time to time prescribe.

THE CONTROLLER AND ASSISTANT CONTROLLERS

Section 18. The controller shall have the custody of the accounting records of the corporation and shall keep full and accurate accounts of the financial condition and results of operations of the corporation in books belonging to the corporation and shall maintain the accounting and internal control systems of the corporation and implement the corporation's policies and procedures with respect to internal accounting and auditing and financial controls.

Section 19. The controller shall render to the president and the board of directors, at its regular meetings, or when the board of directors so requires, financial statements reflecting the results of operations and financial condition of the corporation.

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Section 20. The assistant controller, or if there shall be more than one (1), the assistant controllers in the order determined by the board of directors (or if there be no such determination, then in the order of their election), shall, in the absence of the controller or in the event of his or her inability or refusal to act, perform the duties and exercise the powers of the controller and shall perform such other duties and have such other powers as the board of directors may from time to time prescribe.

ARTICLE VI

INDEMNIFICATION

Section 1. INDEMNIFICATION IN ACTIONS OTHER THAN IN AN ACTION BY OR IN THE RIGHT OF THE CORPORATION. To the full extent permitted by Delaware law from time to time in effect and subject to the provisions of Section 3 of this Article, the corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than by or in the right of the corporation) by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any

action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of NOLO CONTENDERE or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

Section 2. INDEMNIFICATION IN ACTIONS BY OR IN THE RIGHT OF THE CORPORATION. To the full extent permitted by Delaware law from time to time in effect and subject to the provisions of Section 3 of this Article, the corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable

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to the corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

Section 3. DETERMINATION OF CONDUCT. Any indemnification under Sections 1 and 2 of this Article (unless ordered by a court) shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in said Sections 1 and 2. Such determination shall be made (1) by a majority of the directors who are not parties to such action, suit or proceeding, even though less than a quorum, or (2) if there are no such directors, or if such directors so direct, by independent legal counsel (compensated by the corporation) in a written opinion, or (3) by the stockholders.

Section 4. RIGHT TO PAYMENT OF EXPENSES. To the extent that a director, officer, employee or agent of the corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Sections 1 and 2 of this Article, or in defense of any claim, issue or matter

therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

Section 5. PAYMENT OF EXPENSES IN ADVANCE. Expenses (including attorneys' fees) incurred by an officer or director in defending a civil, criminal, administrative or investigative action, suit or proceeding, or threat thereof, may be paid by the corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the corporation as authorized in this Article. Such expenses (including attorneys' fees) incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the board of directors deems appropriate.

Section 6. NON-EXCLUSIVITY. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any agreement, vote of stockholders or disinterested directors, or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office. The term "corporation" as used in this Article shall include the Michigan predecessor of the corporation.

Section 7. INSURANCE. The corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other

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enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify him against such liability under the provisions of this Article or of Section 145 of the General Corporation Law.

Section 8. RIGHTS TO CONTINUE. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 9. CONDITIONAL INDEMNIFICATION FOR CERTAIN PROCEEDINGS. Notwithstanding anything in this Article to the contrary, (i) no director, officer, employee or agent shall be entitled to indemnification pursuant to this Article in connection with any action, suit or proceeding initiated by such person unless the board of directors has authorized or consented to the

initiation of such action, suit or proceeding, and (ii) in the event that the corporation has entered into an indemnification agreement with a director or officer, approved by the board of directors, and the terms of any provision of such agreement conflict with any terms set forth in this Article VI, the provision set forth in such agreement shall govern..

ARTICLE VII

CERTIFICATES OF STOCK

Section 1. Every holder of stock in the corporation shall be entitled to have a certificate, signed by, or in the name of the corporation by, the chairman or vice-chairman of the board of directors or the president or a vice-president and the treasurer or an assistant treasurer, or the secretary or an assistant secretary of the corporation, certifying the number of shares owned by him in the corporation.

Certificates may be issued for partly paid shares and in such case upon the face or back of the certificates issued to represent any such partly paid shares, the total amount of the consideration to be paid therefor, and the amount paid thereon shall be specified.

Section 2. Where a certificate is countersigned (1) by a transfer agent other than the corporation or its employee, or (2) by a registrar other than the corporation or its employee, any other signature on the certificate may be facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

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LOST CERTIFICATES

Section 3. The board of directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, the board of directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require and/or to give the corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the corporation with respect to the

certificate alleged to have been lost, stolen or destroyed.

TRANSFERS OF STOCK

Section 4. Upon surrender to the corporation or the transfer agent of the corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

FIXING RECORD DATE

Section 5. In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the board of directors may fix, in advance, a record date, which shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting, nor more than sixty (60) days prior to any other action. A determination of stockholders of record entitled to notice of or to vote at the meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the board of directors may fix a new record date for the adjourned meeting.

REGISTERED STOCKHOLDERS

Section 6. The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

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ARTICLE VIII

GENERAL PROVISIONS

DIVIDENDS

Section 1. Dividends upon the capital stock of the corporation, subject to the provisions of the certificate of incorporation, if any, may be declared by

the board of directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the certificate of incorporation.

Section 2. Before payment of any dividend, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purpose as the directors shall think conducive to the interest of the corporation, and the directors may modify or abolish any such reserve in the manner in which it was created.

CHECKS

Section 3. All checks or demands for money and notes of the corporation shall be signed by such officer or officers or such other person or persons as the board of directors may from time to time designate.

FISCAL YEAR

Section 4. The fiscal year of the corporation begins on the first day of January and ends on the thirty-first day of December in each year.

SEAL

Section 5. The corporate seal shall have inscribed thereon the name of the corporation, the year of its organization and the words "Corporate Seal, Delaware". The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

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ARTICLE IX

AMENDMENTS

Section 1. These by-laws may be altered, amended or repealed or new by-laws may be adopted by the stockholders or by the board of directors, when such power is conferred upon the board of directors by the certificate of incorporation, at any regular meeting of the stockholders or of the board of directors or at any special meeting of the stockholders or of the board of directors if notice of such alteration, amendment, repeal or adoption of new by-laws be contained in the notice of such special meeting.

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ALLEN TELECOM INC.
as Borrower

And

THE LENDERS NAMED HEREIN
as Lenders

NBD BANK
as Documentation Agent

[GRAPHIC]

KeyBank National Association
as Swing Line Lender, as Syndication Agent and as
Administrative Agent

CREDIT AGREEMENT
dated as of
December 31, 1998

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CREDIT AGREEMENT

THIS CREDIT AGREEMENT, dated as of December 31, 1998, among the following:

(i) ALLEN TELECOM INC., a Delaware corporation (herein, together with its successors and assigns, the "BORROWER");

(ii) the lending institutions listed in Annex I hereto (each a "LENDER" and collectively, the "LENDERS");

(iii) NBD BANK, as Documentation Agent (the "DOCUMENTATION AGENT"); and

(iv) KEYBANK NATIONAL ASSOCIATION, a national banking

association, as the Swing Line Lender (defined below), as Syndication Agent (the "SYNDICATION AGENT") and as administrative agent (the "ADMINISTRATIVE AGENT"):

PRELIMINARY STATEMENTS:

(1) Unless otherwise defined herein, all capitalized terms used herein and defined in section 1 are used herein as so defined.

(2) The Borrower has applied to the Lenders for credit facilities in order to provide working capital and funds for other lawful purposes.

(3) Subject to and upon the terms and conditions set forth herein, the Lenders are willing to make available to the Borrower the credit facilities provided for herein.

NOW, THEREFORE, it is agreed:

SECTION 1. DEFINITIONS AND TERMS.

1.1. CERTAIN DEFINED TERMS. As used herein, the following terms shall have the meanings herein specified unless the context otherwise requires. Defined terms in this Agreement shall include in the singular number the plural and in the plural the singular:

"ACQUISITION" shall mean and include (i) any acquisition on a going concern basis (whether by purchase, lease or otherwise) of any business and/or business unit operated by any person who is not a Subsidiary of the Borrower, and (ii) acquisitions of a majority of the outstanding equity or other similar interests in any such person (whether by merger, stock purchase or otherwise). Acquisitions of a related series of businesses from the same or a related group of sellers at the same time, or over a period of time pursuant to a series of related transactions, shall be considered a single Acquisition for purposes of this Agreement.

"ADJUSTED EUROCURRENCY RATE" shall mean with respect to each Interest Period for a Eurocurrency Loan, (A) either (i) the rate per annum for deposits in Dollars or in the relevant Alternative Currency for a maturity most nearly comparable to such Interest Period which appears on page 3740 or 3750, as applicable, of the Dow Jones Telerate Screen as of 11:00 A.M. (local time at the Notice Office) on the date which is two Business Days prior to the commencement of such Interest Period, or (ii) if such a rate does not appear on such a page, an interest rate per annum equal to the average (rounded upward to the nearest whole multiple of 1/16 of 1% per annum, if such average is not such a multiple) of the rate per annum at which deposits in Dollars or in the relevant Alternative Currency are offered by each of the Reference Banks to prime banks in the London interbank Eurocurrency market for deposits of amounts in same day funds comparable to the outstanding principal amount of the Eurocurrency Loan for which an interest rate is then being determined with maturities comparable to the Interest Period to be applicable to such Eurocurrency Loan, determined as of 11:00 A.M. (London time) on the date which is two Business Days prior to

the commencement of such Interest Period, in each case divided (and rounded upward to the nearest whole multiple of 1/16th of 1%) by (B) a percentage equal to 100% minus the then stated maximum rate of all reserve requirements (including, without limitation, any marginal, emergency, supplemental, special or other reserves) applicable to any member bank of the Federal Reserve System in respect of Eurocurrency liabilities as defined in Regulation D (or any successor category of liabilities under Regulation D).

"ADMINISTRATIVE AGENT" shall have the meaning provided in the first paragraph of this Agreement and shall include any successor to the Administrative Agent appointed pursuant to section 11.9.

"AFFILIATE" shall mean, with respect to any person, any other person directly or indirectly controlling, controlled by, or under direct or indirect common control with such person. A person shall be deemed to control a second

person if such first person possesses, directly or indirectly, the power (i) to vote 10% or more of the securities having ordinary voting power for the election of directors or managers of such second person or (ii) to direct or cause the direction of the management and policies of such second person, whether through the ownership of voting securities, by contract or otherwise. Notwithstanding the foregoing, (x) a director, officer or employee of a person shall not, solely by reason of such status, be considered an Affiliate of such person; and (y) neither the Administrative Agent nor any Lender shall in any event be considered an Affiliate of the Borrower or any of its Subsidiaries.

"**AGREEMENT**" shall mean this Credit Agreement, as the same may be from time to time further modified, amended and/or supplemented.

"**ALTERNATIVE CURRENCY**" shall mean and include

(i) German Marks, Pounds Sterling, French Francs, Swiss Francs, Belgian Francs, Italian Lira, Norwegian Kroner, Japanese Yen and European Currency Units (ECUs), if at the time any such currency is readily and freely transferable and convertible into Dollars;

(ii) after the commencement of the third stage of EMU, the euro (as such terms are defined in section 2.13), if at the time the euro is readily and freely transferable and convertible into Dollars; and

(iii) any other lawful currency other than Dollars which is readily and freely transferable and convertible into Dollars and which (A) in the case of any General Revolving Loans to be denominated in such Alternative Currency, is acceptable to all of the Lenders with General Revolving Commitments, or (B) in the case of any Letter of Credit which is payable in such Alternative Currency, is acceptable to the Required Lenders and any applicable Letter of Credit Issuer.

"**ALTERNATIVE CURRENCY SUBLIMIT**" shall have the meaning provided in section 2.1(a).

"**APPLICABLE EUROCURRENCY MARGIN**" shall have the meaning provided in section 2.8(h).

"**APPLICABLE FACILITY FEE RATE**" shall have the meaning provided in section 4.1(a).

"**APPLICABLE LENDING OFFICE**" shall mean, (i) with respect to each Lender with a General Revolving Commitment, (A) such Lender's Domestic Lending Office in the case of Borrowings consisting of Prime Rate Loans, and (B) such Lender's Eurocurrency Lending Office in the case of Borrowings consisting of Eurocurrency Loans, and (ii) with respect to the Swing Line Lender, its Domestic Lending Office.

"**ASSET SALE**" shall mean the sale, transfer or other disposition (including by means of Sale and Lease-Back Transactions, and by means of mergers, consolidations, and liquidations of a corporation, partnership or limited liability company of the interests therein of the Borrower or any Subsidiary) by the Borrower or any Subsidiary to any person other than the Borrower or any Subsidiary of any of their respective assets, PROVIDED that the term Asset

Sale specifically excludes any sales, transfers or other dispositions of inventory, or obsolete or excess furniture, fixtures, equipment or other property, tangible or intangible, in each case in the ordinary course of business.

"**ASSIGNMENT AGREEMENT**" shall mean an Assignment Agreement substantially in the form of Exhibit E hereto.

"**AUTHORIZED OFFICER**" shall mean any officer or employee of the Borrower

designated as such in writing to the Administrative Agent by the Borrower.

"BANKRUPTCY CODE" shall have the meaning provided in section 10.1(h).

"BOND LETTER OF CREDIT" shall have the meaning provided in section 3.1(e).

"BOND LETTER OF CREDIT ISSUER" shall have the meaning provided in section 3.1(e).

"BOND DOCUMENT" shall mean any document or instrument entered into in connection with the IRB Debt identified in Annex III and any amendment or supplement thereto (including, without limitation, all "Related Documents" as defined in any Reimbursement Agreement related thereto to which reference is made in section 3.1(e)).

"BORROWER" shall have the meaning provided in the first paragraph of this Agreement.

"BORROWING" shall mean and include (i) the incurrence of General Revolving Loans, denominated in a single currency, consisting of a single Type of Loan, by the Borrower from all of the Lenders having Commitments in respect thereof on a PRO RATA basis on a given date (or resulting from a Conversion, Continuation or Redenomination on a given date), having in the case of Eurocurrency Loans the same Interest Period; and (ii) the incurrence of a Swing Line Revolving Loan, which shall consist of a single Type of Loan, by the Borrower from the Swing Line Lender on a given date.

"BUSINESS DAY" shall mean (i) for all purposes other than as covered by clause (ii) below, any day excluding Saturday, Sunday and any day which shall be in the city in which the applicable Payment Office is located a legal holiday or a day on which banking institutions are authorized by law or other governmental actions to close and (ii) with respect to all notices and determinations in connection with, and payments of principal and interest on, Eurocurrency Loans, any day which is a Business Day described in clause (i) and which is also a day on which dealings are carried on in the London interbank market and banks are open for business in London and in the country of issue of any Alternative Currency in which any applicable Eurocurrency Loans are denominated.

"CAPITAL LEASE" as applied to any person shall mean any lease of any property (whether real, personal or mixed) by that person as lessee which, in conformity with GAAP, is accounted for as a capital lease on the balance sheet of that person.

"CAPITALIZED LEASE OBLIGATIONS" shall mean all obligations under Capital Leases of the Borrower or any of its Subsidiaries in each case taken at the amount thereof accounted for as liabilities in accordance with GAAP.

"CASH EQUIVALENTS" shall mean any of the following:

(i) securities issued or directly and fully guaranteed or insured by the United States of America or any agency or instrumentality thereof (PROVIDED that the full faith and credit of the United States of America is pledged in support thereof) having maturities of not more than five years from the date of acquisition;

(ii) U.S. dollar denominated time deposits, certificates of deposit and bankers' acceptances of (x) any Lender or (y) any bank whose short-term commercial paper rating from S&P is at least A-1 or the equivalent thereof or from Moody's is at least P-1 or the equivalent

thereof (any such bank, an "APPROVED BANK"), in each case with maturities of not more than nine months from the date of acquisition;

(iii) commercial paper issued by any Lender or

Approved Bank or by the parent company of any Lender or Approved Bank and commercial paper issued by, or guaranteed by, any industrial or financial company with a short- term commercial paper rating of at least A-1 or the equivalent thereof by S&P or at least P-1 or the equivalent thereof by Moody's, or guaranteed by any industrial company with a long term unsecured debt rating of at least A or A2, or the equivalent of each thereof, from S&P or Moody's, as the case may be, and in each case maturing within 270 days after the date of acquisition;

(iv) investments in money market funds substantially all the assets of which are comprised of securities of the types described in clauses (i) through (iii) above;

(v) investments in money market funds access to which is provided as part of "sweep" accounts maintained with a Lender or an Approved Bank;

(vi) investments in industrial development revenue bonds which (i) "re-set" interest rates not less frequently than quarterly, (ii) are entitled to the benefit of a remarketing arrangement with an established broker dealer, and (iii) are supported by a direct pay letter of credit covering principal and accrued interest which is issued by an Approved Bank;

(vii) investments in pooled funds or investment accounts consisting of investments of the nature described in the foregoing clause (vi); and

(viii) only in the case of any Foreign Subsidiary or a foreign branch or permanent establishment of the Borrower or any of its Subsidiaries, short term deposits, certificates of deposit, repurchase agreements and similar financial instruments, in any currency, with a maturity not longer than one year from the date of acquisition, incident to normal operations in any foreign jurisdiction outside the United States, with or issued by any local or international financial institution with undivided capital and surplus of at least \$500,000,000 (or the equivalent in any applicable currency), not exceeding \$10,000,000 (or the equivalent in any other currency) in the case of any single financial institution.

"CASH PROCEEDS" shall mean, with respect to (i) any Asset Sale, the aggregate cash payments (including any cash received by way of deferred payment pursuant to a note receivable issued in connection with such Asset Sale, other than the portion of such deferred payment constituting interest, but only as and when so received) received by the Borrower and/or any Subsidiary from such Asset Sale, and (ii) any Event of Loss, the aggregate cash payments, including all insurance proceeds and proceeds of any award for condemnation or taking, received in connection with such Event of Loss.

"CERCLA" shall mean the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as the same may be amended from time to time, 42 U.S.C. ss. 9601 ET SEQ.

"CHANGE OF CONTROL" shall mean and include any of the following:

(i) during any period of two consecutive calendar years, individuals who at the beginning of such period constituted the Borrower's Board of Directors (together with any new directors (x) whose election by the Borrower's Board of Directors was, or (y) whose nomination for election by the Borrower's shareholders was (prior to the date of the proxy or consent solicitation relating to such nomination), approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of such period or whose election or nomination for election was previously so approved), shall cease for any reason to constitute a majority of the directors then in office;

(ii) any person or group (as such term is defined in section 13(d)(3) of the 1934 Act), other than the Borrower, any trustee or other fiduciary holding securities under an employee benefit plan of the Borrower, or any members of the Current Holder Group, shall acquire, directly or indirectly, beneficial ownership (within the meaning of Rule 13d-3 and 13d-5 of the 1934 Act) of more than 30%, on a fully diluted basis, of the economic or voting interest in the Borrower's capital stock;

(iii) the shareholders of the Borrower approve a merger or consolidation of the Borrower with any other person, OTHER than a merger or consolidation which would result in the voting securities of the Borrower outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted or exchanged for voting securities of the surviving or resulting entity) more than 75% of the combined voting power of the voting securities of the Borrower or such surviving or resulting entity outstanding after such merger or consolidation;

(iv) the shareholders of the Borrower approve a plan of complete liquidation of the Borrower or an agreement or agreements for the sale or disposition by the Borrower of all or substantially all of the Borrower's assets; and/or

(v) any "change in control" or any similar term as defined in any of the indentures, credit agreements or other instruments governing any Indebtedness of the Borrower or any of its Subsidiaries with an outstanding principal amount, or providing for commitments to lend in an outstanding principal amount, of at least \$5,000,000 (or the equivalent amount in any other currency).

As used in this definition, the term "CURRENT HOLDER GROUP" shall mean (i) those other persons who are officers and directors of the Borrower at the Effective Date, (ii) the spouses, heirs, legatees, descendants and blood relatives to the third degree of consanguinity of any such person, (iii) the executors and administrators of the estate of any such person, and any court appointed guardian of any such person, and (iv) any trust, family partnership or similar investment entity for the benefit of any such person referred to in the foregoing clauses (i) and (ii) or any other persons (and/or for charitable purposes), so long as one or more members of the Current Holder Group has the exclusive or a joint right to control the voting and disposition of securities held by such trust, family partnership or other investment entity.

"CLOSING DATE" shall mean the date, on or after the Effective Date, upon which the conditions specified in section 6.1 are satisfied.

"CODE" shall mean the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated and the rulings issued thereunder. Section references to the Code are to the Code, as in effect at the Effective Date and any subsequent provisions of the Code, amendatory thereof, supplemental thereto or substituted therefor.

"COLLATERAL" shall mean any collateral covered by any Security Document.

"COLLATERAL AGENT" shall mean the Administrative Agent acting as Collateral Agent for the Lenders and any other creditors pursuant to the Security Documents.

"COLLATERAL RELEASE DATE" shall mean the date when (i) the Administrative Agent shall be satisfied, based on its review of the financial statements of the Borrower and its Subsidiaries delivered pursuant to section 8.1(a) and (b), and the certificates delivered pursuant to section 8.1(c), that (1) the Borrower's ratio of Consolidated Total Debt to Consolidated EBITDA, determined on an annualized basis, has been less than 2.50 to 1.00 for each of the four consecutive fiscal quarters then most recently ended, and (2) the Borrower's Fixed Charge Coverage Ratio, determined on an annualized basis, has been greater than 2.25 to 1.00 for each of the four consecutive fiscal quarters

then most recently ended; and (ii) the Administrative Agent shall have notified the Borrower and the Lenders in

writing that the Collateral Release Date has occurred, specifying such Collateral Release Date and the computations made by it of the ratios specified above.

"COMMITMENT" shall mean, with respect to each Lender, its General Revolving Commitment or its Swing Line Commitment, or both, if such Lender shall have both a General Revolving Commitment or its Swing Line Loan Commitment.

"CONSOLIDATED ADJUSTED CURRENT ASSETS" shall mean at any time for the determination thereof the net book value of all cash, Cash Equivalents, trade receivables and inventory, and 50% of the net book value of all other receivables (other than any owed by employees), in each which, in conformity with GAAP, would be included and classified as current assets on a consolidated balance sheet of the Borrower as at such date.

"CONSOLIDATED AMORTIZATION EXPENSE" shall mean, for any period, all amortization expenses of the Borrower and its Subsidiaries, including amortization of deferred financing costs and amortization of in-process research and development costs, all as determined for the Borrower and its Subsidiaries on a consolidated basis in accordance with GAAP.

"CONSOLIDATED CAPITAL EXPENDITURES" shall mean, for any period, the aggregate of all expenditures (whether paid in cash or accrued as liabilities and including in all events amounts expended or capitalized under Capital Leases but excluding any amount representing capitalized interest) by the Borrower and its Subsidiaries during that period that, in conformity with GAAP, are or are required to be included in the property, plant and equipment, or in the capitalized software development costs, reflected in the consolidated balance sheet of the Borrower and its Subsidiaries.

"CONSOLIDATED DEPRECIATION EXPENSE" shall mean, for any period, all depreciation expenses of the Borrower and its Subsidiaries, all as determined for the Borrower and its Subsidiaries on a consolidated basis in accordance with GAAP.

"CONSOLIDATED EBIT" shall mean, for any period, Consolidated Net Income for such period; PLUS (A) the sum of the amounts for such period included in determining such Consolidated Net Income of (i) Consolidated Interest Expense, and (ii) Consolidated Income Tax Expense; LESS (B) extraordinary gains; all as determined for the Borrower and its Subsidiaries on a consolidated basis in accordance with GAAP.

"CONSOLIDATED EBITDA" shall mean, for any period, Consolidated EBIT for such period; PLUS the sum (without duplication) of the amounts for such period included in determining such Consolidated EBIT of (i) Consolidated Depreciation Expense, (ii) Consolidated Amortization Expense, (iii) not more than \$8,000,000 of Consolidated Obsolescence Expense, and (iv) if such period includes any portion of the last fiscal quarter of 1997 or any fiscal quarter of 1998, the restructuring charges (including restructuring reserves) taken during the fourth quarter of 1997 and the second quarter of 1998, as well as other restructuring charges and reserves (including MARTA) incurred during the third and fourth quarters of 1998 up to an aggregate of not more than \$13,000,000, all as determined for the Borrower and its Subsidiaries on a consolidated basis in accordance with GAAP; PROVIDED that, notwithstanding anything to the contrary contained herein, the Borrower's Consolidated EBITDA for any Testing Period shall (x) include the appropriate financial items for any person or business unit which has been acquired by the Borrower for any portion of such Testing Period prior to the date of acquisition, and (y) exclude the appropriate financial items for any person or business unit which has been disposed of by the Borrower, for the portion of such Testing Period prior to the date of disposition.

"CONSOLIDATED INCOME TAX EXPENSE" shall mean, for any period, all provisions for taxes based on the net income of the Borrower or any of its Subsidiaries (including, without limitation, any additions to such taxes, and

any penalties and interest with respect thereto), all as determined for the Borrower and its Subsidiaries on a consolidated basis in accordance with GAAP.

"CONSOLIDATED INTEREST EXPENSE" shall mean, for any period, (i) total interest expense (including that which is capitalized and that which is attributable to Capital Leases, in accordance with GAAP) of the Borrower and its

Subsidiaries on a consolidated basis with respect to all outstanding Indebtedness of the Borrower and its Subsidiaries including, without limitation, net costs under Hedge Agreements intended to protect against fluctuations in interest rates, but excluding, however, bank fees, prepayment penalties and any amortization of deferred financing costs, NET OF (ii) interest income of the Borrower and its Subsidiaries on a consolidated basis, all as determined in accordance with GAAP and the "net interest" method of accounting.

"CONSOLIDATED NET INCOME" shall mean for any period, the net income (or loss) of the Borrower and its Subsidiaries on a consolidated basis for such period taken as a single accounting period determined in conformity with GAAP.

"CONSOLIDATED NET WORTH" shall mean at any time for the determination thereof all amounts which, in conformity with GAAP, would be included under the caption "total stockholders' equity" (or any like caption) on a consolidated balance sheet of the Borrower as at such date, PROVIDED that in no event shall Consolidated Net Worth include any amounts in respect of Redeemable Stock.

"CONSOLIDATED OBSOLESCENCE EXPENSE" shall mean, for any period, all expenses and charges of the Borrower and its Subsidiaries for the obsolescence of property and assets, all as determined for the Borrower and its Subsidiaries on a consolidated basis in accordance with GAAP.

"CONSOLIDATED TOTAL ASSETS" shall mean with respect to any person at any date of determination the net book value of all assets which would appear on a consolidated balance sheet of such person and its consolidated Subsidiaries at such date which is prepared in accordance with GAAP.

"CONSOLIDATED TOTAL LIABILITIES" shall mean with respect to any person at any date of determination the total amount of all liabilities which would appear on a consolidated balance sheet of such person and its consolidated Subsidiaries at such date which is prepared in accordance with GAAP.

"CONSOLIDATED TOTAL LONG TERM DEBT" shall mean at any time of determination thereof the portion of Consolidated Total Debt which has a remaining maturity of more than one year, or the maturity of which is extendible at the option of the obligor for more than one year.

"CONSOLIDATED TOTAL DEBT" shall mean at any time of determination thereof the sum (without duplication) of the principal amount (or Capitalized Lease Obligation, in the case of a Capital Lease) of all Indebtedness and Guaranty Obligations of the Borrower and of each of its Subsidiaries, all as determined on a consolidated basis.

"CONTINUE", "CONTINUATION" and "CONTINUED" each refers to a continuation of General Revolving Loans consisting of Eurocurrency Loans for an additional Interest Period as provided in section 2.9.

"CONVERT", "CONVERSION" and "CONVERTED" each refers to a conversion of General Revolving Loans, denominated in Dollars, of one Type into General Revolving Loans of another Type, pursuant to section 2.7, 2.9(b), 2.10 or 5.2.

"CREDIT DOCUMENTS" shall mean this Agreement, the Notes, any Security Document, any Letter of Credit Document and any Guaranty entered into as contemplated by section 8.10.

"CREDIT EVENT" shall mean the making of any Loans and/or the issuance of any Letter of Credit.

"CREDIT PARTY" shall mean the Borrower and each Subsidiary or Affiliate which is a party to any Credit Document.

"DEFAULT" shall mean any event, act or condition which with notice or lapse of time, or both, would constitute an Event of Default.

"DEFAULTING LENDER" shall mean any Lender with, respect to which a Lender Default is in effect.

"DIVIDENDS" shall have the meaning provided in section 9.6.

"DOLLARS", "U.S. DOLLARS", "U.S.DOLLARS" and the sign "\$" each means lawful money of the United States.

"DOMESTIC LENDING OFFICE" shall mean, with respect to any Lender, the office of such Lender specified as its Domestic Lending Office in Annex I or in the Assignment Agreement pursuant to which it became a Lender, or such other office of such Lender as such Lender may from time to time specify to the Borrower and the Administrative Agent.

"DOMESTIC SUBSIDIARY" shall mean, with respect to any person, any Subsidiary of such person other than a Foreign Subsidiary.

"EFFECTIVE DATE" shall have the meaning provided in section 12.10.

"ELIGIBLE TRANSFeree" shall mean and include a commercial bank, financial institution or other "accredited investor" (as defined in SEC Regulation D), in each case which:

(i) is not disapproved in writing by the Borrower in a notice given to a requesting Lender and the Administrative Agent, specifying the reasons for such disapproval, within five Business Days following the giving of notice to the Borrower of the identity of any proposed transferee (any such disapproval by the Borrower must be reasonable), PROVIDED that the Borrower shall not be entitled to exercise the foregoing right of disapproval if and so long as any Event of Default shall have occurred and be continuing; and

(ii) is not a direct competitor of the Borrower or engaged in the same or similar principal lines of business as the Borrower and its Subsidiaries considered as a whole, or is not an Affiliate of any such competitor of the Borrower and its Subsidiaries.

"ENVIRONMENTAL CLAIMS" shall mean any and all administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of non-compliance or violation, investigations or proceedings arising under any Environmental Law or any permit issued under any such law (hereafter "CLAIMS"), including, without limitation, (a) any and all Claims by governmental or regulatory authorities for enforcement, cleanup, removal, response, remedial or other actions or damages pursuant to any applicable Environmental Law, and (b) any and all Claims by any third party seeking damages, contribution, indemnification, cost recovery, compensation or injunctive relief resulting from the storage, treatment or Release (as defined in CERCLA) of any Hazardous Materials or arising from alleged injury or threat of injury to health, safety or the environment.

"ENVIRONMENTAL LAW" shall mean any applicable Federal, state, foreign or local statute, law, rule, regulation, ordinance, code, binding and enforceable guideline, binding and enforceable written policy and rule of common law now or hereafter in effect and in each case as amended, and any binding and enforceable judicial or administrative interpretation thereof, including any judicial or administrative order, consent, decree or judgment issued to or rendered against the Borrower or any of its Subsidiaries relating to the environment, employee health and safety or Hazardous Materials, including, without limitation, CERCLA; RCRA; the Federal Water Pollution Control Act, 33 U.S.C. ss. 2601 ET SEQ.; the Clean Air Act, 42 U.S.C. ss. 7401 ET SEQ.; the Safe Drinking Water Act, 42 U.S.C. ss. 3803 ET SEQ.; the Oil Pollution Act of 1990, 33 U.S.C. ss. 2701 ET SEQ.; the Emergency Planning and the Community

Right-to-Know Act of 1986, 42 U.S.C. ss. 11001 ET SEQ., the Hazardous Material Transportation Act, 49 U.S.C. ss. 1801 ET SEQ. and the Occupational Safety and Health Act, 29 U.S.C. ss. 651 ET SEQ. (to the extent it regulates occupational exposure to Hazardous Materials); and any state and local or foreign counterparts or equivalents, in each case as amended from time to time.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder. Section references to ERISA are to ERISA, as in effect at the Effective Date and any subsequent provisions of ERISA, amendatory thereof, supplemental thereto or substituted therefor.

"ERISA AFFILIATE" shall mean each person (as defined in section 3(9) of ERISA) which together with the Borrower or a Subsidiary of the Borrower would be deemed to be a "single employer" (i) within the meaning of section 414(b), (c), (m) or (o) of the Code or (ii) as a result of the Borrower or a Subsidiary of the Borrower being or having been a general partner of such person.

"EUROCURRENCY LENDING OFFICE" shall mean, with respect to any Lender, the office (including the office of any branch, subsidiary, affiliate or correspondent bank of such Lender) of such Lender specified as its Eurocurrency Lending Office in Annex I or in the Assignment Agreement pursuant to which it became a Lender, or such other office (including the office of any branch, subsidiary, affiliate or correspondent bank of such Lender), for Eurocurrency Loans denominated in Dollars or particular Alternative Currencies, of such Lender as such Lender may from time to time specify to the Borrower and the Administrative Agent.

"EUROCURRENCY LOANS" shall mean each Loan, denominated in U.S. Dollars or in an Alternative Currency, bearing interest at the rates provided in section 2.8(b).

"EVENT OF DEFAULT" shall have the meaning provided in section 10.1.

"EVENT OF LOSS" shall mean, with respect to any property constituting Collateral, (i) the actual or constructive total loss of such property or the use thereof, resulting from destruction, damage beyond repair, or the rendition of such property permanently unfit for normal use from any casualty or similar occurrence whatsoever, (ii) the destruction or damage of a portion of such property from any casualty or similar occurrence whatsoever under circumstances in which such damage cannot reasonably be expected to be repaired, or such property cannot reasonably be expected to be restored to its condition immediately prior to such destruction or damage, within 90 days after the occurrence of such destruction or damage, (iii) the condemnation, confiscation or seizure of, or requisition of title to or use of, any property, or (iv) in the case of any property located upon a Leasehold, the termination or expiration of such Leasehold.

"EXISTING INDEBTEDNESS" shall have the meaning provided in section 7.18.

"EXISTING INDEBTEDNESS AGREEMENTS" shall have the meaning provided in section 7.18.

"EXISTING LETTER OF CREDIT" shall have the meaning provided in section 3.1(d).

"FACILITY" shall mean either the General Revolving Facility or the Swing Line Revolving Facility, or both, if the context so requires.

"FACILITY FEE" shall have the meaning provided in section 4.1(a).

"FACING FEE" shall have the meaning provided in section 4.1(c).

"FEDERAL FUNDS EFFECTIVE RATE" shall mean, for any period, a fluctuating interest rate equal for each day during such period to the weighted average of the rates on overnight Federal Funds transactions with members of the Federal Reserve System arranged by Federal Funds brokers, as published for such

day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by the Administrative Agent from three Federal Funds brokers of recognized standing selected by the Administrative Agent.

"FEES" shall mean all amounts payable pursuant to, or referred to in, section 4.1.

"FOREIGN SUBSIDIARY" shall mean any Subsidiary (i) which is not incorporated in the United States and substantially all of whose assets and properties are located, or substantially all of whose business is carried on, outside the United States, or (ii) substantially all of whose assets consist of Subsidiaries that are Foreign Subsidiaries as defined in clause (i) of this definition.

"GAAP" shall mean generally accepted accounting principles in the United States of America as in effect from time to time; it being understood and agreed that determinations in accordance with GAAP for purposes of section 9, including defined terms as used therein, are subject (to the extent provided therein) to sections 1.3 and 12.7(a).

"GENERAL REVOLVING FACILITY" shall mean the Facility evidenced by the Total General Revolving Commitment.

"GENERAL REVOLVING FACILITY PERCENTAGE" shall mean at any time for any Lender with a General Revolving Commitment, the percentage obtained by dividing such Lender's General Revolving Commitment by the Total General Revolving Commitment, PROVIDED, that if the Total General Revolving Commitment has been terminated, the General Revolving Facility Percentage for each Lender shall be determined by dividing such Lender's General Revolving Commitment immediately prior to such termination by the Total General Revolving Commitment immediately prior to such termination.

"GENERAL REVOLVING LOAN" shall have the meaning provided in section 2.1(a).

"GENERAL REVOLVING COMMITMENT" shall mean, with respect to each Lender, the amount, if any, set forth opposite such Lender's name in Annex I as its "General Revolving Commitment" as the same may be reduced from time to time pursuant to section 4.2, adjusted from time to time as a result of assignments to or from such Lender pursuant to section 12.4(c), or terminated pursuant to section 4.2, 4.3 or 10.2.

"GENERAL REVOLVING NOTE" shall have the meaning provided in section 2.6(a).

"GUARANTY" shall have the meaning provided in section 8.10.

"GUARANTY OBLIGATIONS" shall mean as to any person (without duplication) any obligation of such person guaranteeing any Indebtedness ("PRIMARY INDEBTEDNESS") of any other person (the "PRIMARY OBLIGOR") in any manner, whether directly or indirectly, including, without limitation, any obligation of such person, whether or not contingent, (a) to purchase any such primary Indebtedness or any property constituting direct or indirect security therefor, (b) to advance or supply funds (i) for the purchase or payment of any such primary Indebtedness or (ii) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (c) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary Indebtedness of the ability of the primary obligor to make payment of such primary Indebtedness, or (d) otherwise to assure or hold harmless the owner of such primary Indebtedness against loss in respect thereof, PROVIDED, HOWEVER, that the term Guaranty Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Guaranty Obligation shall be deemed to be an amount equal to the stated or determinable amount of the primary Indebtedness in respect of which such Guaranty Obligation is made or, if not stated or determinable, the maximum reasonably anticipated

liability in respect thereof (assuming such person is required to perform thereunder) as determined by such person in good faith.

"HAZARDOUS MATERIALS" shall mean (i) any petrochemical or petroleum products, radioactive materials, asbestos in any form that is or could become friable, urea formaldehyde foam insulation, transformers or other equipment that contain dielectric fluid containing levels of polychlorinated biphenyls, and radon gas; and (ii) any chemicals, materials or substances defined as or included in the definition of "hazardous substances", "hazardous wastes", "hazardous materials", "restricted hazardous materials", "extremely hazardous wastes", "restrictive hazardous wastes", "toxic substances", "toxic pollutants", "contaminants" or "pollutants", or words of similar meaning and regulatory effect under any applicable Environmental Law.

"HEDGE AGREEMENT" shall mean (i) any interest rate swap agreement, any interest rate cap agreement, any interest rate collar agreement or other similar agreement or arrangement designed to protect against fluctuations in interest rates, and (ii) any currency swap agreement, forward currency purchase agreement or similar agreement or arrangement designed to protect against fluctuations in currency exchange rates.

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"IDB DEBT" shall mean the Indebtedness of the Borrower and its Subsidiaries in respect of industrial development revenue bonds.

"INDEBTEDNESS" of any person shall mean without duplication:

- (i) all indebtedness of such person for borrowed money;
- (ii) all bonds, notes, debentures and similar debt securities of such person;
- (iii) the deferred purchase price of capital assets or services which in accordance with GAAP would be shown on the liability side of the balance sheet of such person;
- (iv) the face amount of all letters of credit issued for the account of such person and, without duplication, all drafts drawn thereunder;
- (v) all obligations, contingent or otherwise, of such person in respect of bankers' acceptances;
- (vi) all Indebtedness of a second person secured by any Lien on any property owned by such first person, whether or not such indebtedness has been assumed;
- (vii) all Capitalized Lease Obligations of such person;
- (viii) the present value, determined on the basis of the implicit interest rate, of all basic rental obligations under all "synthetic" leases (I.E. leases accounted for by the lessee as operating leases under which the lessee is the "owner" of the leased property for Federal income tax purposes);
- (ix) all obligations of such person to pay a specified purchase price for goods or services whether or not delivered or accepted, I.E., take-or-pay and similar obligations;
- (x) all net obligations of such person under Hedge Agreements;
- (xi) the full outstanding balance of trade receivables, notes or other instruments sold with full

recourse (and the portion thereof subject to potential recourse, if sold with limited recourse), other than in any such case any thereof sold solely for purposes of collection of delinquent accounts;

(xii) the stated value, or liquidation value if higher, of all Redeemable Stock of such person; and

(xiii) all Guaranty Obligations of such person;

PROVIDED that (x) neither trade payables nor other similar accrued expenses, in each case arising in the ordinary course of business, nor obligations in respect of insurance policies or performance or surety bonds which themselves are not guarantees of Indebtedness (nor drafts, acceptances or similar instruments evidencing the same nor obligations in respect of letters of credit supporting the payment of the same), shall constitute Indebtedness; and (y) the Indebtedness of any person shall in any event include (without duplication) the Indebtedness of any other entity (including any general partnership in which such person is a general partner) to the extent such person is liable thereon as a result of such person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness provide expressly that such person is not liable thereon.

"INTEREST PERIOD" with respect to any Eurocurrency Loan shall mean the interest period applicable thereto, as determined pursuant to section 2.9.

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"KEYBANK" shall mean KeyBank National Association, a national banking association, together with its successors and assigns.

"LEASEHOLDS" of any person means all the right, title and interest of such person as lessee or licensee in, to and under leases or licenses of land, improvements and/or fixtures.

"LENDER" shall have the meaning provided in the first paragraph of this Agreement.

"LENDER DEFAULT" shall mean (i) the refusal (which has not been retracted) of a Lender in violation of the requirements of this Agreement to make available its portion of any incurrence of Loans or to fund its portion of any unreimbursed payment under section 3.4(c) or (ii) a Lender having notified the Administrative Agent and/or the Borrower that it does not intend to comply with the obligations under section 2.1 and/or section 3.4(c), in the case of either (i) or (ii) as a result of the appointment of a receiver or conservator with respect to such Lender at the direction or request of any regulatory agency or authority.

"LENDER REGISTER" shall have the meaning provided in section 12.16.

"LETTER OF CREDIT" shall have the meaning provided in section 3.1(a).

"LETTER OF CREDIT DOCUMENTS" shall have the meaning specified in section 3.2(a).

"LETTER OF CREDIT FEE" shall have the meaning provided in section 4.1(b).

"LETTER OF CREDIT ISSUER" shall mean (i) in respect of each Existing Letter of Credit and any subsequent Letter of Credit issued in renewal or replacement thereof, the Lender that has issued such Existing Letter of Credit as of the Effective Date; and/or (ii) any other Lender that is requested, and agrees, to so act by the Borrower, and is approved by the Administrative Agent and the Required Lenders; PROVIDED, that unless otherwise agreed by the Borrower and KeyBank, KeyBank will act as the Letter of Credit Issuer for any Letters of Credit issued after the Effective Date except in the circumstances contemplated by the foregoing clause (i).

"LETTER OF CREDIT OBLIGATION" shall mean any Obligation of a Credit Party under any Letter of Credit Document.

"LETTER OF CREDIT OBLIGOR" shall have the meaning provided in section 3.1(a).

"LETTER OF CREDIT OUTSTANDINGS" shall mean, at anytime, the sum, without duplication, of (i) the aggregate Stated Amount of all outstanding Letters of Credit and (ii) the aggregate amount of all Unpaid Drawings.

"LETTER OF CREDIT REQUEST" shall have the meaning provided in section 3.2(a).

"LIEN" shall mean any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any agreement to give any of the foregoing, any conditional sale or other title retention agreement or any lease in the nature thereof).

"LOAN" shall have the meaning provided in section 2.1. As provided herein, (i) Loans under the General Revolving Facility are General Revolving Loans, and General Revolving Loans may be Eurocurrency Loans or Prime Rate Loans, which are the only Types of General Revolving Loans which can be outstanding hereunder; and (ii) Loans under the Swing Line Revolving Facility are Swing Line Revolving Loans, and Swing Line Revolving Loans may be Money Market Rate Loans or Prime Rate Loans, which are the only Types of Swing Line Revolving Loans which can be outstanding hereunder.

"MARGIN STOCK" shall have the meaning provided in Regulation U.

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"MATERIAL ADVERSE EFFECT" shall mean (i) when used with reference to the Borrower or any of its Subsidiaries, a material adverse effect on the business, operations, property, assets, liabilities or financial condition of, the Borrower and its Subsidiaries, taken as a whole, or a material adverse effect on the ability of the Borrower to perform its obligations under the Credit Documents, or (ii) when used with reference to any other person, a material adverse effect on the business, operations, property, assets, liabilities or financial condition of such person and its Subsidiaries, taken as a whole, as the case may be.

"MATERIAL SUBSIDIARY" shall mean, at any time, with reference to any person, any Subsidiary of such person (i) that has assets at such time comprising 5% or more of the consolidated assets of such person and its Subsidiaries, or (ii) whose operations in the current fiscal year are expected to, or whose operations in the most recent fiscal year did (or would have if such person had been a Subsidiary for such entire fiscal year), represent 5% or more of the consolidated earnings before interest, taxes, depreciation and amortization of such person and its Subsidiaries for such fiscal year.

"MATURITY DATE" shall mean December 31, 2001 (or such later date as may be provided in any extension pursuant to section 4.4 hereof), or such earlier date of termination of the Total General Revolving Commitment.

"MINIMUM BORROWING AMOUNT" shall mean:

(i) for General Revolving Loans which are Prime Rate Loans, \$1,000,000, with minimum increments thereafter of \$100,000;

(ii) for General Revolving Loans which are Eurocurrency Loans denominated in Dollars, \$5,000,000, with minimum increments thereafter of \$500,000;

(iii) for General Revolving Loans which are Eurocurrency Loans denominated in an Alternative Currency, the substantial equivalent in such Alternative Currency of \$5,000,000, with minimum increments thereafter of the substantial equivalent of \$500,000 in such Alternative Currency); and

(iv) for Swing Line Revolving Loans, \$100,000, with minimum increments thereafter of \$50,000.

"MONEY MARKET RATE LOANS" shall mean Swing Line Revolving Loans, denominated in U.S. Dollars, bearing interest at a Quoted Rate.

"MOODY'S" shall mean Moody's Investors Service, Inc. and its successors.

"MORTGAGE" shall have the meaning provided in section 6.1(c).

"MORTGAGE POLICY" shall have the meaning provided in section 6.1(k).

"MORTGAGE PROPERTY" shall have the meaning provided in section 6.1(k).

"MULTIEMPLOYER PLAN" shall mean a multiemployer plan, as defined in section 4001(a)(3) of ERISA to which the Borrower or any ERISA Affiliate is making or accruing an obligation to make contributions or has within any of the preceding three plan years made or accrued an obligation to make contributions.

"MULTIPLE EMPLOYER PLAN" shall mean an employee benefit plan, other than a Multiemployer Plan, to which the Borrower or any ERISA Affiliate, and one or more employers other than the Borrower or an ERISA Affiliate, is making or accruing an obligation to make contributions or, in the event that any such plan has been terminated, to which the Borrower or an ERISA Affiliate made or accrued an obligation to make contributions during any of the five plan years preceding the date of termination of such plan.

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"1934 ACT" shall mean the Securities Exchange Act of 1934, as amended.

"NON-DEFAULTING LENDER" shall mean each Lender other than a Defaulting Lender.

"NOTE" shall mean a General Revolving Note or a Swing Line Revolving Note, as the case may be.

"NOTICE OF BORROWING" shall have the meaning provided in section 2.3(a).

"NOTICE OF CONTINUATION" shall have the meaning provided in section 2.9(a).

"NOTICE OF CONVERSION" shall have the meaning provided in section 2.7(a).

"NOTICE OFFICE" shall mean the office of the Administrative Agent at Key Center, 127 Public Square, Cleveland, Ohio 44114 (facsimile: (216) 689-4981), or such other office, located in a city in the United States Eastern Time Zone, as the Administrative Agent may designate to the Borrower from time to time.

"NOTICE OF REDENOMINATION" shall have the meaning provided in section 2.7(b).

"NOTICE OF SWING LINE REFUNDING" shall have the meaning provided in section 2.5(a).

"OBLIGATIONS" shall mean all amounts, direct or indirect, contingent or absolute, of every type or description, and at any time existing, owing by the Borrower or any other Credit Party to the Administrative Agent or any Lender pursuant to the terms of this Agreement or any other Credit Document.

"PARTICIPANT" shall have the meaning provided in section 3.4(a).

"PAYMENT OFFICE" shall mean (i) in the case of all payments to be made in Dollars, the office of the Administrative Agent at Key Center, 127 Public Square, Cleveland, Ohio 44114 (facsimile: (216) 689-4981), or such other office,

located in a city in the United States Eastern Time Zone, as the Administrative Agent may designate to the Borrower from time to time, and (ii) in the case of all payments to be made in an Alternative Currency, such office of the Administrative Agent, one of its Affiliate banks or branches, or such correspondent bank, as is specified in Annex I or as the Administrative Agent may designate to the Borrower from time to time.

"PBGC" shall mean the Pension Benefit Guaranty Corporation established pursuant to section 4002 of ERISA, or any successor thereto.

"PERMITTED ACQUISITION" shall mean and include any Acquisition which:

(i) is not actively opposed by the Board of Directors (or similar governing body) of the selling person or the person whose equity interests are to be acquired, UNLESS all of the Lenders specifically approve or consent to such Acquisition in writing;

(ii) if such Acquisition involves cash consideration (including cash consideration to be used to prepay or otherwise retire any Indebtedness of the business being acquired), the aggregate cash consideration for such Acquisition, payable immediately or on a deferred or contingent basis, does not and will not aggregate in excess of \$20,000,000, UNLESS the Required Lenders specifically approve or consent to such Acquisition in writing;

(iii) if it results in any new Subsidiary or Subsidiaries of the Borrower, there are no holder or holders of minority equity interests therein; and

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(iv) after giving effect thereto, the Borrower would be in compliance, on a PRO FORMA basis, with the financial covenants contained in sections 9.8, 9.9, 9.10 and 9.11.

The term Permitted Acquisition does not include any loans, advances or minority investments otherwise permitted pursuant to section 9.5.

"PERMITTED LIENS" shall mean Liens described in section 9.3.

"PERSON" shall mean any individual, partnership, joint venture, firm, corporation, limited liability company, association, trust or other enterprise or any government or political subdivision or any agency, department or instrumentality thereof.

"PLAN" shall mean any multiemployer or single-employer plan as defined in section 4001 of ERISA, which is maintained or contributed to by (or to which there is an obligation to contribute by) the Borrower or a Subsidiary of the Borrower or an ERISA Affiliate, and each such plan for the five year period immediately following the latest date on which the Borrower, or a Subsidiary of the Borrower or an ERISA Affiliate maintained, contributed to or had an obligation to contribute to such plan.

"PLEDGE AGREEMENT" shall have the meaning provided in section 6.1(c).

"PRIME RATE" shall mean, for any period, a fluctuating interest rate per annum as shall be in effect from time to time which rate per annum shall at all times be equal to the greater of (i) the rate of interest established by KeyBank in Cleveland, Ohio, from time to time, as its prime rate, whether or not publicly announced, which interest rate may or may not be the lowest rate charged by it for commercial loans or other extensions of credit; and (ii) the Federal Funds Effective Rate in effect from time to time PLUS 1/2 of 1% per annum.

"PRIME RATE LOAN" shall mean each Loan, denominated in U. S. Dollars, bearing interest at the rates provided in section 2.8(a).

"PROHIBITED TRANSACTION" shall mean a transaction with respect to a Plan that is prohibited under section 4975 of the Code or section 406 of ERISA

and not exempt under section 4975 of the Code or section 408 of ERISA.

"QUOTED RATE" shall have the meaning provided in section 2.3(c).

"RCRA" shall mean the Resource Conservation and Recovery Act, as the same may be amended from time to time, 42 U.S.C. ss. 6901 ET SEQ.

"REAL PROPERTY" of any person shall mean all of the right, title and interest of such person in and to land, improvements and fixtures, including Leaseholds.

"REDEEMABLE STOCK" shall mean with respect to any person any capital stock or similar equity interests of such person that (i) is by its terms subject to mandatory redemption, in whole or in part, pursuant to a sinking fund, scheduled redemption or similar provisions, at any time prior to the Maturity Date; or (ii) otherwise is required to be repurchased or retired on a scheduled date or dates, upon the occurrence of any event or circumstance, at the option of the holder or holders thereof, or otherwise, at any time prior to the Maturity Date, other than any such repurchase or retirement occasioned by a "change of control" or similar event.

"REFERENCE BANKS" shall mean (i) KeyBank and (ii) any other Lender or Lenders selected as a Reference Bank by the Administrative Agent and the Required Lenders, PROVIDED, that if any of such Reference Banks is no longer a Lender, such other Lender or Lenders as may be selected by the Administrative Agent acting on instructions from the Required Lenders.

"REGULATION D" shall mean Regulation D of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor to all or a portion thereof establishing reserve requirements.

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"REGULATION U" shall mean Regulation U of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor to all or a portion thereof establishing margin requirements.

"REPORTABLE EVENT" shall mean an event described in section 4043 of ERISA or the regulations thereunder with respect to a Plan, other than those events as to which the notice requirement is waived under subsections .22, .23, .25, .27, .28, .29, .30, .31, .32, .34, .35, .62, .63, .64, .65 or .67 of PBGC Regulation section 4043.

"REQUIRED LENDERS" shall mean Non-Defaulting Lenders whose outstanding General Revolving Loans and Unutilized General Revolving Commitments constitute more than 51% of the sum of the total outstanding General Revolving Loans and Unutilized General Revolving Commitments of Non-Defaulting Lenders (PROVIDED that, for purposes hereof, neither the Borrower, nor any of its Affiliates, shall be included in (i) the Lenders holding such amount of the General Revolving Loans or having such amount of the Unutilized General Revolving Commitments, or (ii) determining the aggregate unpaid principal amount of the General Revolving Loans or Unutilized General Revolving Commitments).

"SALE AND LEASE-BACK TRANSACTION" shall mean any arrangement with any person providing for the leasing by the Borrower or any Subsidiary of the Borrower of any property (except for temporary leases for a term, including any renewal thereof, of not more than one year and except for leases between the Borrower and a Subsidiary or between Subsidiaries), which property has been or is to be sold or transferred by the Borrower or such Subsidiary to such person.

"S&P" shall mean Standard & Poor's Ratings Group, a division of McGraw Hill, Inc., and its successors.

"SEC" shall mean the United States Securities and Exchange Commission.

"SEC REGULATION D" shall mean Regulation D as promulgated under the Securities Act of 1933, as amended, as the same may be in effect from time to time.

"SECTION 5.4(b)(ii) CERTIFICATE" shall have the meaning provided in

section 5.4(b) (ii).

"SECURITY AGREEMENT" shall have the meaning specified in section 6.1(c).

"SECURITY DOCUMENTS" shall mean the Pledge Agreement, the Security Agreement, each of the Mortgages and each other document pursuant to which any Lien or security interest is granted by any Credit Party to the Collateral Agent as security for any of the Obligations.

"SENIOR NOTES" shall mean and include (i) \$9,000,000 aggregate original principal amount of the Borrower's 6.60% Senior Notes, Series 1997-A due November 14, 2003, (ii) \$47,000,000 aggregate original principal amount of the Borrower's 6.65% Senior Notes, Series 1997-B due November 14, 2007, and (iii) \$9,000,000 aggregate original principal amount of the Borrower's 6.74% Senior Notes, Series 1997-C due November 14, 2007, in each case as issued pursuant to Note Purchase Agreements, dated as of November 1, 1997.

"STANDARD PERMITTED LIENS" shall mean the following:

(i) Liens for taxes not yet delinquent or Liens for taxes being contested in good faith and by appropriate proceedings for which adequate reserves (in the good faith judgment of the management of the Borrower) have been established;

(ii) Liens in respect of property or assets imposed by law which were incurred in the ordinary course of business, such as carriers', warehousemen's, materialmen's and mechanics' Liens and other similar Liens arising in the ordinary course of business, which do not in the aggregate materially detract from the value of such property or assets or materially impair the use thereof in the operation of the business of the Borrower or any Subsidiary;

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(iii) Liens created by this Agreement or the other Credit Documents;

(iv) Liens arising from judgments, decrees or attachments in circumstances not constituting an Event of Default under section 10.1(g);

(v) Liens (other than any Lien imposed by ERISA) incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security; and mechanic's Liens, carrier's Liens, and other Liens to secure the performance of tenders, statutory obligations, contract bids, government contracts, performance and return-of-money bonds and other similar obligations, incurred in the ordinary course of business (exclusive of obligations in respect of the payment for borrowed money) whether pursuant to statutory requirements, common law or consensual arrangements;

(vi) Leases or subleases granted to others not interfering in any material respect with the business of the Borrower or any of its Subsidiaries and any interest or title of a lessor under any lease not in violation of this Agreement;

(vii) easements, rights-of-way, zoning or deed restrictions, minor defects or irregularities in title and other similar charges or encumbrances not interfering in any material respect with the ordinary conduct of the business of the Borrower or any of its Subsidiaries considered as an entirety; and

(viii) Liens arising from financing statements regarding property subject to leases not in violation of the requirements of this Agreement, PROVIDED that such Liens are only in respect of the property subject to, and secure only, the respective lease (and any other lease with the same or an affiliated lessor).

"STATED AMOUNT" of each Letter of Credit shall mean the maximum available to be drawn thereunder (regardless of whether any conditions or other requirements for drawing could then be met).

"STOCK REPURCHASES" shall have the meaning provided in section 9.6.

"SUBSIDIARY" of any person shall mean and include (i) any corporation more than 50% of whose stock of any class or classes having by the terms thereof ordinary voting power to elect a majority of the directors of such corporation (irrespective of whether or not at the time stock of any class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time owned by such person directly or indirectly through Subsidiaries and (ii) any partnership, association, joint venture or other entity in which such person directly or indirectly through Subsidiaries, has more than a 50% equity interest at the time. Unless otherwise expressly provided, all references herein to "Subsidiary" shall mean a Subsidiary of the Borrower.

"SUBORDINATED INDEBTEDNESS" shall mean any Indebtedness which has been subordinated to the Obligations in such manner and to such extent as the Required Lenders may require.

"SWING LINE COMMITMENT" shall mean, with respect to the Swing Line Lender, the amount set forth opposite such Lender's name in Annex I as its "Swing Line Commitment" as the same may be reduced from time to time pursuant to section 4.2, adjusted from time to time as a result of assignments to or from such Lender pursuant to section 12.4(c), or terminated pursuant to section 4.2, 4.3 or 10.2.

"SWING LINE LENDER" shall mean the Lender which has the Swing Line Revolving Commitment.

"SWING LINE REVOLVING FACILITY" shall mean the credit facility evidenced by the Swing Line Revolving Commitment.

"SWING LINE PARTICIPATION AMOUNT" shall have the meaning provided in section 2.5(b).

"SWING LINE REVOLVING LOAN" shall have the meaning provided in section 2.1(b).

"SWING LINE REVOLVING NOTE" shall have the meaning provided in section 2.5(a).

"TESTING PERIOD" shall mean for any determination, a single period consisting of the four consecutive fiscal quarters of the Borrower then last ended (whether or not such quarters are all within the same fiscal year), EXCEPT that if a particular provision of this Agreement indicates that a Testing Period shall be of a different specified duration, such Testing Period shall consist of the particular fiscal quarter or quarters of the Borrower then last ended which are so indicated in such provision.

"TITLE COMPANY" shall have the meaning provided in section 6.1(k).

"TITLE POLICY" shall have the meaning provided in section 6.1(k).

"TOTAL COMMITMENT" shall mean all Commitments of all Lenders hereunder.

"TOTAL GENERAL REVOLVING COMMITMENT" shall mean the sum of the General Revolving Commitments of the Lenders.

"TYPE" shall mean any type of Loan determined with respect to the interest option applicable thereto, I.E., (i) in the case of General Revolving Loans, a Prime Rate Loan or a Eurocurrency Loan, and (ii) in the case of Swing Line Revolving Loans, a Prime Rate Loan or a Money Market Rate Loan.

"UCC" shall mean the Uniform Commercial Code.

"UNFUNDED CURRENT LIABILITY" of any Plan shall mean the amount, if any, by which the actuarial present value of the accumulated plan benefits under the Plan as of the close of its most recent plan year exceeds the fair market value of the assets allocable thereto, each determined in accordance with Statement of Financial Accounting Standards No. 87, based upon the actuarial assumptions used by the Plan's actuary in the most recent annual valuation of the Plan.

"UNITED STATES" and "U.S." each means United States of America.

"UNPAID DRAWING" shall have the meaning provided in section 3.3(a).

"UNUTILIZED GENERAL REVOLVING COMMITMENT" shall mean at any time for any Lender with a General Revolving Commitment, the excess of (i) such Lender's General Revolving Commitment at such time over (ii) the sum of (x) the aggregate principal amount of all General Revolving Loans made by such Lender which are outstanding at such time plus (y) such Lender's General Revolving Facility Percentage of the Letter of Credit Outstanding at such time.

"UNUTILIZED SWING LINE REVOLVING COMMITMENT" shall mean, at any time, the excess of (i) the Swing Line Revolving Commitment at such time over (ii) the aggregate principal amount of all Swing Line Revolving Loans then outstanding.

"UNUTILIZED TOTAL GENERAL REVOLVING COMMITMENT" shall mean, at any time, the excess of (i) the Total General Revolving Commitment at such time over (ii) the sum of (x) the aggregate principal amount of all General Revolving Loans then outstanding plus (y) the aggregate Letter of Credit Outstanding at such time.

"WHOLLY-OWNED SUBSIDIARY" shall mean each Subsidiary of the Borrower at least 95% of whose capital stock, equity interests and partnership interests, other than director's qualifying shares or similar interests, are owned directly or indirectly by the Borrower.

"WRITTEN", "WRITTEN" or "IN WRITING" shall mean any form of written communication or a communication by means of telex, facsimile transmission, telegraph or cable.

1.2. COMPUTATION OF TIME PERIODS. In this Agreement in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each means "to but excluding".

1.3. ACCOUNTING TERMS. Except as otherwise specifically provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; PROVIDED that, if the Borrower notifies the Administrative Agent that the Borrower requests an amendment to any provision of section 8 or 9 hereof to eliminate the effect of any change occurring after the Effective Date in GAAP or in the application thereof to such provision (or if the Administrative Agent notifies the Borrower that the Required Lenders request an amendment to any such provision hereof for such purposes), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance with the requirements of this Agreement.

1.4. CURRENCY EQUIVALENTS. For purposes of this Agreement, except as otherwise specified herein, (i) the equivalent in Dollars of any Alternative Currency shall be determined by using the quoted spot rate at which the

Administrative Agent offers to exchange Dollars for such Alternative Currency at its Payment Office at 9:00 A.M. (local time at the Payment Office) two Business Days prior to the date on which such equivalent is to be determined, (ii) the equivalent in any Alternative Currency of any other Alternative Currency shall be determined by using the quoted spot rate at which the Administrative Agent's Payment Office offers to exchange such Alternative Currency for the equivalent in Dollars of such other Alternative Currency at such Payment Office at 9:00 A.M. (local time at the Payment Office) two Business Days prior to the date on which such equivalent is to be determined, and (iii) the equivalent in any Alternative Currency of Dollars shall be determined by using the quoted spot rate at which the Administrative Agent's Payment Office offers to exchange such Alternative Currency for Dollars at the Payment Office at 9:00 A.M. (local time at the Payment Office) two Business Days prior to the date on which such equivalent is to be determined; PROVIDED, that (A) the equivalent in Dollars of each Eurocurrency Loan made in an Alternative Currency shall be recalculated hereunder on each date that it shall be necessary (or the Administrative Agent shall elect) to determine the unused portion of each Lender's General Revolving Commitment, or any or all Loan or Loans outstanding on such date; (B) the equivalent in Dollars of any Unpaid Drawing in respect of any Letter of Credit denominated in an Alternative Currency shall be determined at the time the drawing under such Letter of Credit was paid or disbursed by the applicable Letter of Credit Issuer; (C) for purposes of sections 2.1(a), 3.1(b) and 5.2, the equivalent in Dollars of the Stated Amount of any Letter of Credit denominated in an Alternative Currency shall be calculated (x) on the date of the issuance of the respective Letter of Credit, (y) on the first Business Day of each calendar month thereafter and (z) in any other case where the same is required or permitted to be calculated, on such other day as the Administrative Agent may, in its sole discretion, consider appropriate; and (D) for purposes of sections 4.1(b) and (c), the equivalent in Dollars of the Stated Amount of any Letter of Credit denominated in an Alternative Currency shall be calculated on the first day of each calendar month in the quarterly period in which the respective payment is due pursuant to said sections.

SECTION 2. AMOUNT AND TERMS OF LOANS.

2.1. COMMITMENTS FOR LOANS. Subject to and upon the terms and conditions herein set forth, each Lender severally agrees to make a loan or loans (each a "LOAN" and, collectively, the "LOANS") to the Borrower, which Loans shall be drawn, to the extent such Lender has a commitment under a Facility for the Borrower, under the applicable Facility, as set forth below:

(A) GENERAL REVOLVING FACILITY. Loans to the Borrower under the General Revolving Facility (each a "GENERAL REVOLVING LOAN" and, collectively, the "GENERAL REVOLVING LOANS"): (i) may be made at any time and from time to time on and after the Closing Date and prior to the Maturity Date; (ii) except as otherwise provided, may, at the option of the Borrower, be incurred and maintained as, or Converted or Redenominated into, General Revolving Loans which are Prime Rate Loans denominated in Dollars, or

Eurocurrency Loans denominated in Dollars or in an Alternative Currency, PROVIDED that all General Revolving Loans made as part of the same Borrowing shall, unless otherwise specifically provided herein, consist of General Revolving Loans of the same currency and Type (and if such Loans are Eurocurrency Loans, there shall be a single Interest Period applicable thereto); (iii) may not be incurred in an Alternative Currency if after giving effect thereto the equivalent in Dollars of the aggregate outstanding principal amount of all General Revolving Loans denominated in any Alternative Currency would exceed \$50,000,000 (the "ALTERNATIVE CURRENCY SUBLIMIT"); (iv) may be repaid or prepaid and reborrowed in accordance with the provisions hereof; (v) may only be made if after giving effect thereto the Unutilized Total General Revolving Commitment exceeds the outstanding Swing Line Revolving Loans; and (vi) shall not exceed for any Lender at any time outstanding that aggregate principal amount which, when added to the product at such time of (A) such Lender's General Revolving Facility Percentage, TIMES (B) the aggregate Letter of Credit Outstandings, equals the General Revolving Commitment of such Lender at such time.

(B) SWING LINE REVOLVING FACILITY. Loans to the Borrower under the Swing Line Revolving Facility (each a "SWING LINE REVOLVING LOAN" and, collectively, the "SWING LINE REVOLVING LOANS") (i) shall be made only by the Swing Line Lender, (ii) may be made at any time and from time to time on and after the Closing Date and prior to the Maturity Date; (iii) shall be made only in U.S. Dollars; (iv) shall have a maturity of less than 30 days; (v) shall be incurred only for working capital requirements of the Borrower and its Subsidiaries; (vi) may only be incurred as Prime Rate Loans or as Money Market Rate Loans; (vii) may be repaid or prepaid and reborrowed in accordance with the provisions hereof; (viii) may only be made if after giving effect thereto the Unutilized Total General Revolving Commitment exceeds the outstanding Swing Line Revolving Loans; and (ix) shall not exceed for the Swing Line Lender at any time outstanding its Swing Line Commitment at such time.

2.2. MINIMUM BORROWING AMOUNTS, ETC.; PRO RATA BORROWINGS. (a) The aggregate principal amount of each Borrowing by the Borrower under a Facility shall not be less than the Minimum Borrowing Amount for such Borrowing. More than one Borrowing may be incurred by the Borrower on any day, PROVIDED that if there are two or more Borrowings on a single day under the General Revolving Facility which consist of Eurocurrency Loans denominated in the same currency, each such Borrowing shall have a different initial Interest Period. There shall be no more than 10 Borrowings comprised of Eurocurrency Loans outstanding at any time (including any such Borrowings resulting from the incurrence of Loans or Continuations, Conversions or Redenominations) and only one Borrowing may be made on any day under the Swing Line Revolving Facility.

(b) All Borrowings of Loans under a Facility shall be made by the Lenders having Commitments under such Facility PRO RATA on the basis of their respective Commitments under such Facility. It is understood that no Lender shall be responsible for any default by any other Lender in its obligation to make Loans hereunder and that each Lender shall be obligated to make the Loans provided to be made by it hereunder, regardless of the failure of any other Lender to fulfill its Commitments hereunder.

2.3. BORROWING PROCEDURES. (a) NOTICE OF BORROWING. Whenever the Borrower desires to incur Loans, the Borrower shall give the Administrative Agent at its Notice Office,

(A) BORROWINGS UNDER THE GENERAL REVOLVING FACILITY OF EUROCURRENCY LOANS DENOMINATED IN DOLLARS: in the case of any Borrowing under the General Revolving Facility of Eurocurrency Loans denominated in Dollars to be made hereunder, prior to 1:00 P.M. (local time at its Notice Office), at least three Business Days' prior written or telephonic notice thereof (in the case of telephonic notice, promptly confirmed in writing if so requested by the Administrative Agent),

(B) BORROWINGS UNDER THE GENERAL REVOLVING FACILITY OF EUROCURRENCY LOANS DENOMINATED IN AN ALTERNATIVE CURRENCY: in the case of any Borrowing under the General Revolving Facility of Eurocurrency Loans denominated in an Alternative Currency to be made hereunder, prior to 1:00 P.M. (local time at its Notice Office), at least four Business Days' prior written or telephonic notice thereof (in the case of telephonic notice, promptly confirmed in writing if so requested by the Administrative Agent),

(C) BORROWINGS UNDER ANY FACILITY OF PRIME RATE LOANS: in the case of any Borrowing under any Facility of Prime Rate Loans to be made hereunder, prior to 11:00 A.M. (local time at its Notice Office) on the proposed date thereof written or telephonic notice thereof (in the case of telephonic notice, promptly confirmed in writing if so requested by the Administrative Agent), or

(D) BORROWINGS UNDER THE SWING LINE FACILITY OF MONEY MARKET RATE LOANS: in the case of any Borrowing under the Swing Line Revolving

Facility of Money Market Rate Loans to be made hereunder, if the Administrative Agent shall have furnished the Borrower with a Quoted Rate therefor, prior to 11:00 A.M. (local time at its Notice Office) on the proposed date thereof (which shall be within such period as the Administrative Agent shall have specified for such Quoted Rate) written or telephonic notice thereof (in the case of telephonic notice, promptly confirmed in writing if so requested by the Administrative Agent).

Each such notice (each such notice, a "NOTICE OF BORROWING") shall (if requested by the Administrative Agent to be confirmed in writing), be substantially in the form of Exhibit B-1, and in any event shall be irrevocable and shall specify:

(i) the Facility under which the Borrowing is to be incurred, (ii) the aggregate principal amount of the Loans to be made pursuant to such Borrowing; (iii) the date of the Borrowing (which shall be a Business Day); (iv) whether the Borrowing shall consist of Prime Rate Loans, Eurocurrency Loans or Money Market Rate Loans; (v) if the requested Borrowing consists of Eurocurrency Loans, the Interest Period to be initially applicable thereto; (vi) in the case of a requested Borrowing consisting of Loans which are Eurocurrency Loans, the currency, if other than Dollars, in which such Loans are requested; and (vii) if the Borrowing consists of Swing Line Revolving Loans, the maturity date thereof (which shall be less than 30 days), and if such Swing Line Revolving Loans are Money Market Rate Loans, the Quoted Rate therefor. If the Borrower fails to specify in a Notice of Borrowing the maturity date of any Swing Line Revolving Loans, such maturity date shall be deemed to be 29 days. The Administrative Agent shall promptly give each Lender which has a Commitment under any applicable Facility written notice (or telephonic notice promptly confirmed in writing) of each proposed Borrowing under the applicable Facility, of such Lender's proportionate share thereof and of the other matters covered by the Notice of Borrowing relating thereto.

(b) CONDITIONS TO BORROWING OF EUROCURRENCY LOANS DENOMINATED IN AN ALTERNATIVE CURRENCY. In the case of a proposed Borrowing comprised of General Revolving Loans which are Eurocurrency Loans denominated in an Alternative Currency, the obligation of each affected Lender to make its Eurocurrency Loan in the requested Alternative Currency as part of such Borrowing is subject to:

(A) if such requested Alternative Currency is an Alternative Currency described in clause (i) or (ii) of the definition of the term Alternative Currency, the confirmation by the Administrative Agent to the Borrower not later than the third Business Day before the requested date of such Borrowing that such Alternative Currency is readily and freely transferable and convertible into Dollars, or

(B) if such requested Alternative Currency is not an Alternative Currency described in clause (i) or (ii) of the definition of the term Alternative Currency, such requested Alternative Currency shall be acceptable to such Lender (which acceptability shall be presumed if such Lender fails to notify the Administrative Agent in writing not later than the third Business Day before the requested date of such Borrowing that such Alternative Currency is not acceptable to such Lender); and any such notice of unacceptability of an Alternative Currency shall be notified immediately by the Administrative Agent to the Borrower.

If the Administrative Agent shall not have provided the confirmation referred to in clause (A) above, or any affected Lender shall have so notified the Administrative Agent that a particular Alternative Currency is not acceptable to it as provided in clause (B) above, the Administrative Agent shall promptly notify the Borrower and each affected Lender thereof, whereupon the Borrower may, by notice to the Administrative Agent not later than the third Business Day before the requested date of such Borrowing, withdraw the Notice of Borrowing relating to such requested Borrowing. If the Borrower does so withdraw such Notice of Borrowing, the Borrowing requested in such Notice of Borrowing shall not occur and the Administrative Agent shall promptly so notify each affected Lender. If the Borrower does not so withdraw such Notice of Borrowing, the Administrative Agent shall promptly so notify each

affected Lender and such Notice of Borrowing shall be deemed to be a Notice of Borrowing which requests a Borrowing of General Revolving Loans comprised of Eurocurrency Loans in an aggregate amount in Dollars equivalent, on the date the Administrative Agent so notifies each affected Lender, to the amount of the originally requested Borrowing in an Alternative Currency; and in such notice by the Administrative Agent to each affected Lender the Administrative Agent shall state such aggregate equivalent amount of such Borrowing in Dollars and such Lender's ratable portion of such Borrowing.

(c) BORROWINGS OF MONEY MARKET RATE LOANS. Whenever the Borrower proposes to submit a Notice of Borrowing with respect to Swing Line Revolving Loans which will be Money Market Rate Loans, it will prior to submitting such Notice of Borrowing notify the Administrative Agent of its intention and request the Administrative Agent to quote a fixed or floating interest rate (the "QUOTED RATE") to be applicable thereto prior to the proposed maturity thereof. The Administrative Agent will immediately so notify the Swing Line Lender, and if the Swing Line Lender is agreeable to a particular interest rate for the proposed maturity of such Money Market Rate Loans if such Loans are made on or prior to a specified date, the Administrative Agent shall quote such interest rate to the Borrower as the Quoted Rate applicable to such proposed Money Market Rate Loans if made on or before such specified date for a maturity as so proposed by the Borrower. The Swing Line Lender contemplates that any Quoted Rate will be a rate of interest which reflects a margin corresponding to the sum of (x) the Applicable Eurocurrency Margin in effect at the time of quotation of any Quoted Rate, PLUS (y) the Applicable Facility Fee Rate in effect at such time, over the then prevailing Federal Funds Effective Rate, commercial paper, call money, overnite repurchase or other commonly quoted interest rate, or the Swing Line Lender's average cost of short term funds, in each case as selected and determined by the Swing Line Lender. Nothing herein shall be deemed to permit any Lender other than the Swing Line Lender any right of approval with respect to a Quoted Rate.

(d) ACTIONS BY ADMINISTRATIVE AGENT ON TELEPHONIC NOTICE. Without in any way limiting the obligation of the Borrower to confirm in writing any telephonic notice permitted to be given hereunder, the Administrative Agent may act prior to receipt of written confirmation without liability upon the basis of such telephonic notice believed by the Administrative Agent in good faith to be from an Authorized Officer of the Borrower entitled to give telephonic notices under this Agreement on behalf of the Borrower. In each such case, the Administrative Agent's record of the terms of such telephonic notice shall be conclusive absent manifest error.

2.4. DISBURSEMENT OF FUNDS FROM BORROWINGS. (a) No later than 2:00 P.M. (local time at the Payment Office of the Administrative Agent) on the date specified in each Notice of Borrowing, each Lender with a Commitment under the applicable Facility relating to such Loans will make available its PRO RATA share, if any, of each Borrowing under such Facility requested to be made on such date in the manner provided below. All amounts relating to any Borrowing by the Borrower shall be made available to the Administrative Agent in U.S. dollars or the applicable Alternative Currency and immediately available funds at the Administrative Agent's Payment Office and the Administrative Agent promptly will make available to the Borrower by depositing to its account at such Payment Office, or at such other account in another financial institution designated by the Borrower to the Administrative Agent, the aggregate of the amounts so made available in the currency and type of funds received. Unless the Administrative Agent shall have been notified by any Lender prior to the date of a Borrowing that such Lender does not intend to make available to the Administrative Agent its portion of the Borrowing or Borrowings to be made on such date, the Administrative Agent may assume that such Lender has made such amount available to the Administrative Agent on such date of Borrowing, and the Administrative Agent, in reliance upon such assumption, may (in its sole discretion and without any obligation to do so) make available to the Borrower a corresponding amount. If such corresponding amount is not in fact made available to the Administrative Agent by such Lender and the Administrative Agent has made available same to the Borrower, the Administrative Agent shall be entitled to recover such corresponding amount from such Lender. If such Lender does not pay such corresponding amount forthwith upon the Administrative Agent's demand therefor, the Administrative Agent shall promptly notify the Borrower, and the Borrower shall immediately pay such corresponding amount to the Administrative Agent. The Administrative Agent shall also be entitled to recover from such Lender or the Borrower, as the case may be, interest on such corresponding amount in respect of each day from the date such corresponding amount was made available by the Administrative Agent to the Borrower to the date such corresponding amount is recovered by the Administrative Agent at a rate per annum equal to (x) if paid by such Lender, at the overnight Federal Funds Effective Rate, in the case of

borrowing rate for immediately available and freely transferrable funds in the applicable Alternative Currency which is offered to the Administrative Agent in the international markets, in the case of any General Revolving Loan denominated in an Alternative Currency, or (y) if paid by the Borrower, the then applicable rate of interest, calculated in accordance with section 2.8, for the respective Loan (but without any requirement to pay any amounts in respect thereof pursuant to section 2.11).

(b) Nothing herein and no subsequent termination of the Commitments pursuant to section 4.2 or 4.3 shall be deemed to relieve any Lender from its obligation to fulfill its commitments hereunder and in existence from time to time or to prejudice any rights which the Borrower may have against any Lender as a result of any default by such Lender hereunder.

2.5. REFUNDING OF, OR PARTICIPATION IN, SWING LINE REVOLVING LOANS. (a) If any Event of Default exists, the Swing Line Lender may, in its sole and absolute discretion, direct that the Swing Line Revolving Loans owing to it be refunded by delivering a notice to such effect to the Administrative Agent, specifying the aggregate principal amount thereof (a "NOTICE OF SWING LINE REFUNDING"). Promptly upon receipt of a Notice of Swing Line Refunding, the Administrative Agent shall give notice of the contents thereof to the Lenders with General Revolving Commitments and, unless an Event of Default specified in section 10.1(h) in respect of the Borrower has occurred, also to the Borrower. Each such Notice of Swing Line Refunding shall be deemed to constitute delivery by the Borrower of a Notice of Borrowing requesting General Revolving Loans consisting of Prime Rate Loans in the amount of the Swing Line Revolving Loans to which it relates. Each Lender with a General Revolving Commitment (including the Swing Line Lender, in its capacity as a Lender) hereby unconditionally agrees (notwithstanding that any of the conditions specified in section 6.2 hereof or elsewhere in this Agreement shall not have been satisfied, but subject to the provisions of paragraph (b) below) to make a General Revolving Loan to the Borrower in an amount equal to such Lender's General Revolving Facility Percentage of the aggregate amount of the Swing Line Revolving Loans to which such Notice of Swing Line Refunding relates. Each such Lender shall make the amount of such General Revolving Loan available to the Administrative Agent in immediately available funds at the Payment Office not later than 2:00 P.M. (local time at the Payment Office), if such notice is received by such Lender prior to 11:00 A.M. (local time at its Domestic Lending Office), or not later than 2:00 P.M. (local time at the Payment Office) on the next Business Day, if such notice is received by such Lender after such time. The proceeds of such General Revolving Loans shall be made immediately available to the Swing Line Lender and applied by it to repay the principal amount of the Swing Line Revolving Loans to which such Notice of Swing Line Refunding related. The Borrower irrevocably and unconditionally agrees that, notwithstanding anything to the contrary contained in this Agreement, General Revolving Loans made as herein provided in response to a Notice of Swing Line Refunding shall constitute General Revolving Loans hereunder consisting of Prime Rate Loans.

(b) If prior to the time a General Revolving Loan would otherwise have been made as provided above as a consequence of a Notice of Swing Line Refunding, any of the events specified in section 10.1(h) shall have occurred in respect of the Borrower or one or more of the Lenders with General Revolving Commitments shall determine that it is legally prohibited from making a General Revolving Loan under such circumstances, each Lender (other than the Swing Line Lender), or each Lender (other than the Swing Line Lender) so prohibited, as the case may be, shall, on the date such General Revolving Loan would have been made by it (the "PURCHASE DATE"), purchase an undivided participating interest in the outstanding Swing Line Revolving Loans to which such Notice of Swing Line Refunding related, in an amount (the "SWING LINE PARTICIPATION AMOUNT") equal to such Lender's General Revolving Facility Percentage of such Swing Line Revolving Loans. On the Purchase Date, each such Lender or each such Lender so prohibited, as the case may be, shall pay to the Swing Line Lender, in immediately available funds, such Lender's Swing Line Participation Amount, and promptly upon receipt thereof the Swing Line Lender shall, if requested by such other Lender, deliver to such Lender a participation certificate, dated the date of the Swing Line Lender's receipt of the funds from, and evidencing such Lender's participating

interest in such Swing Line Revolving Loans and its Swing Line Participation Amount in respect thereof. If any amount required to be paid by a Lender to the Swing Line Lender pursuant to the above provisions in respect of any Swing Line Participation Amount is not paid on the date such payment is due, such Lender shall pay to the Swing Line Lender on demand interest on the amount not so paid at the overnight Federal Funds Effective Rate from the due date until such amount is paid in full.

(c) Whenever, at any time after the Swing Line Lender has received from any other Lender such Lender's Swing Line Participation Amount, the Swing Line Lender receives any payment from or on behalf of the Borrower on account of the related Swing Line Revolving Loans, the Swing Line Lender will promptly distribute to such Lender its General Revolving Facility Percentage of such payment on account of its Swing Line Participation Amount (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Lender's participating interest was outstanding and funded); PROVIDED, HOWEVER, that in the event such payment received by the Swing Line Lender is required to be returned, such Lender will return to the Swing Line Lender any portion thereof previously distributed to it by the Swing Line Lender.

(d) Each Lender's obligation to make General Revolving Loans and/or to purchase participations in connection with a Notice of Swing Line Refunding (which shall in all events be within such Lender's Unutilized General Revolving Commitment, taking into account all outstanding participations in connection with Swing Line Refundings) shall be subject to the conditions that:

(i) such Lender shall have received a Notice of Swing Line Refunding complying with the provisions hereof, and

(ii) at the time the Swing Line Revolving Loans which are the subject of such Notice of Swing Line Refunding were made, the Swing Line Lender had (x) no knowledge that any Default under section 10.1(a) involving the payment of principal of or interest on any of the Loans had occurred and was continuing, and (y) no actual written notice from another Lender that an Event of Default had occurred and was continuing,

but otherwise shall be absolute and unconditional, shall be solely for the benefit of the Swing Line Lender, and shall not be affected by any circumstance, including, without limitation, (A) any set-off, counterclaim, recoupment, defense or other right which such Lender may have against any other Lender, any Credit Party, or any other person, or any Credit Party may have against any Lender or other person, as the case may be, for any reason whatsoever; (B) the occurrence or continuance of a Default or Event of Default; (C) any event or circumstance involving a Material Adverse Effect upon the Borrower; (D) any breach of any Credit Document by any party thereto; or (E) any other circumstance, happening or event, whether or not similar to any of the foregoing.

2.6. NOTES; LOAN ACCOUNTS. (A) FORMS OF NOTES. The Borrower's obligation to pay the principal of, and interest on, the General Revolving Loans made to it by each Lender with a General Revolving Commitment shall be evidenced by a promissory note of the Borrower substantially in the form of Exhibit A-1 (each a "GENERAL REVOLVING NOTE" and, collectively, the "GENERAL REVOLVING NOTES"). The Borrower's obligation to pay the principal of, and interest on, the Swing Line Revolving Loans made to it by the Swing Line Lender shall be evidenced by a promissory note of the Borrower substantially in the form of Exhibit A-2 with blanks appropriately completed in conformity herewith (the "SWING LINE REVOLVING NOTE").

(b) GENERAL REVOLVING NOTES. The General Revolving Note issued by the Borrower to a Lender with a General Revolving Commitment shall: (i) be executed by the Borrower; (ii) be payable to the order of such Lender and be dated on or prior to the date of any General Revolving Loan evidenced thereby; (iii) be payable in the principal amount of General Revolving Loans evidenced thereby; (iv) mature on the Maturity Date; (v) bear interest as provided in section 2.8

in respect of the Prime Rate Loans or Eurocurrency Loans, as the case may be, evidenced thereby; (vi) be subject to mandatory prepayment as provided in section 5.2; and (vii) be entitled to the benefits of this Agreement and the other Credit Documents.

(c) SWING LINE REVOLVING NOTE. The Swing Line Revolving Note issued by the Borrower to the Swing Line Lender shall: (i) be executed by the Borrower; (ii) be payable to the order of the Swing Line Lender and be dated on or prior to the date of any Swing Line Revolving Loan evidenced thereby; (iii) be in a stated principal amount equal to the Swing Line Revolving Commitment of the Swing Line Lender; (iv) be payable in the principal amount of Swing Line Revolving Loans evidenced thereby; (v) mature as to any Swing Line Revolving Loan evidenced thereby on the maturity date, less than 30 days following the date such Swing Line Revolving Loan was made, specified in the applicable Notice of Borrowing; (vi) bear interest as provided in section 2.8 in respect of the

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Prime Rate Loans or Money Market Rate Loans, as the case may be, evidenced thereby; (vii) be subject to mandatory prepayment as provided in section 5.2; and (viii) be entitled to the benefits of this Agreement and the other Credit Documents.

(d) LOAN ACCOUNTS OF LENDERS. Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(e) LOAN ACCOUNTS OF ADMINISTRATIVE AGENT. The Administrative Agent shall maintain accounts in which it shall record (i) the amount of each Loan made hereunder, the Type thereof, the particular Facility under which such Loan was made, and (to the extent applicable) the Interest Period if such Loan is a Eurodollar Loan, or the Quoted Rate and maturity thereof if such Loan is a Money Market Rate Loan, (ii) the amount of any principal due and payable or to become due and payable from the Borrower to each Lender hereunder, and (iii) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof.

(f) EFFECT OF LOAN ACCOUNTS, ETC. The entries made in the accounts maintained pursuant to section 2.6(d) and (e) shall be PRIMA FACIE evidence of the existence and amounts and amounts of the obligations recorded therein; provided, that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay or prepay the Loans in accordance with the terms of this Agreement.

(g) ENDORSEMENTS OF AMOUNTS ON NOTES PRIOR TO TRANSFER. Each Lender will, prior to any transfer of any of the Notes issued to it by the Borrower, endorse on the reverse side thereof or the grid attached thereto the outstanding principal amount of Loans evidenced thereby. Failure to make any such notation or any error in any such notation shall not affect the Borrower's obligations in respect of such Loans.

2.7. VOLUNTARY CONVERSION OF DOLLAR DENOMINATED GENERAL REVOLVING LOANS; REDENOMINATION OF GENERAL REVOLVING LOANS. (a) The Borrower shall have the option to Convert on any Business Day all or a portion at least equal to the applicable Minimum Borrowing Amount of the outstanding principal amount of its General Revolving Loans denominated in Dollars of one Type owing by it pursuant to the General Revolving Facility into a Borrowing or Borrowings pursuant to the same Facility of the other Type of Loans denominated in Dollars which can be made pursuant to such Facility, PROVIDED that: (i) no partial Conversion of a Borrowing of Eurocurrency Loans shall reduce the outstanding principal amount of the Eurocurrency Loans made pursuant to such Borrowing to less than the Minimum Borrowing Amount applicable thereto; (ii) any Conversion of Eurocurrency Loans into Prime Rate Loans shall be made on, and only on, the last day of an Interest Period for such Eurocurrency Loans; (iii) Prime Rate Loans may only be Converted into Eurocurrency Loans if no Default under section 10.1(a) or Event of Default is in existence on the date of the Conversion unless the Required Lenders otherwise agree; (iv) Prime Rate Loans may not be Converted into Eurocurrency

Loans during any period when such Conversion is not permitted under section 2.10; and (v) Borrowings of Eurocurrency Loans resulting from this section 2.7 shall conform to the requirements of section 2.2. Each such Conversion shall be effected by the Borrower giving the Administrative Agent at its Notice Office, prior to 1:00 P.M. (local time at such Notice Office), at least three Business Days', in the case of Conversion into Eurodollar Loans (or prior to 1:00 P.M. (local time at such Notice Office) same Business Day's, in the case of a Conversion into Prime Rate Loans) prior written notice (or telephonic notice promptly confirmed in writing if so requested by the Administrative Agent) (each a "NOTICE OF CONVERSION"), substantially in the form of Exhibit B-2, specifying the Loans to be so Converted, the Type of Loans to be Converted into and, if to be Converted into a Borrowing of Eurocurrency Loans, the Interest Period to be initially applicable thereto. The Administrative Agent shall give each Lender prompt notice of any such proposed Conversion affecting any of its Loans. For the avoidance of doubt, the prepayment or repayment of any General Revolving Loans out of the proceeds of other General Revolving Loans by the Borrower is not considered a Conversion of such General Revolving Loans into other General Revolving Loans.

(b) The Borrower may, upon notice given to the Administrative Agent at least four Business Days prior to the date of the proposed Redenomination, request that all General Revolving Loans comprising the same Borrowing by the Borrower be Redenominated from Dollars into an Alternative Currency or from an Alternative Currency into Dollars or another Alternative Currency; PROVIDED, HOWEVER, that any Redenomination of Eurocurrency Loans shall be made on, and only on, the last day of an Interest Period for such Loans; and PROVIDED, FURTHER, that no Redenomination shall be made if at the time thereof a Default under section 10.1(a) or Event of Default shall have occurred and be continuing unless the Required Lenders otherwise agree. Each such notice of request of a Redenomination (a "NOTICE OF REDENOMINATION") shall be by telecopier, telex or cable (confirmed immediately in writing if so requested by the Administrative Agent), in substantially the form of Exhibit B-4 hereto, specifying (i) the amount and currency of the General Revolving Loans comprising the specific Borrowing to be Redenominated, (ii) the date of the proposed Redenomination, (iii) the currency into which such Loans are to be Redenominated, and (iv) if such Loans as so Redenominated are to be Eurocurrency Loans, the duration of the Interest Period for such Loans upon being so Redenominated. The Administrative Agent shall promptly notify each affected Lender of any such requested Redenomination. In the case of a Notice of Redenomination which requests a Redenomination of Loans into an Alternative Currency, such Redenomination is subject to (x) if it involves a Redenomination into an Alternative Currency described in clause (i) or (ii) of the definition of the term Alternative Currency, the confirmation by the Administrative Agent to the Borrower that such Alternative Currency is readily and freely transferable and convertible into Dollars, or (y) if it involves a Redenomination into an Alternative Currency described in clause (iii) of the definition of the term Alternative Currency, the willingness of each Lender which has a General Revolving Commitment to effect such Redenomination. If any affected Lender has not, by 2:00 P.M. (local time at the Notice Office) on the third Business Day before the requested date of such Redenomination, notified the Administrative Agent that a particular requested Redenomination is not acceptable to it, such requested Redenomination shall be conclusively presumed to be acceptable to it. Any objection by a Lender to a requested Redenomination shall be notified immediately by the Administrative Agent to the Borrower. If any affected Lender shall have so notified the Administrative Agent of its objection to a requested Redenomination, or if the Administrative Agent shall have confirmed to the Borrower that the Alternative Currency involved in such Redenomination is not readily and freely transferable and convertible into Dollars, the requested Redenomination will not occur and the Administrative Agent shall promptly notify the Borrower and each affected Lender that a Lender is unwilling to make such requested Redenomination and that the requested Redenomination will not occur. If no affected Lender shall have so provided to the Administrative Agent notice of its unwillingness to effect a requested Redenomination or if such Notice of Redenomination requests a Redenomination of Loans into Dollars, each General Revolving Loan so requested to be Redenominated will be Redenominated, on the date specified therefor in such Notice of Redenomination, into an equivalent amount thereof in the currency requested in such Notice of Redenomination, such

equivalent amount to be determined on such date by the Administrative Agent in accordance with section 1.4, and in the case of any such General Revolving Loan being so Redenominated which will be a Eurocurrency Loan, such Eurocurrency Loan will have an initial Interest Period as requested in such Notice of Redenomination.

2.8. INTEREST. (a) INTEREST ON PRIME RATE LOANS. The unpaid principal amount of each General Revolving Loan or Swing Line Revolving Loan which is a Prime Rate Loan shall bear interest from the date of the Borrowing thereof (including any date of Conversion or Redenomination thereof) until maturity (whether by acceleration or otherwise) at a fluctuating rate per annum which shall at all times be equal to the Prime Rate in effect from time to time.

(b) INTEREST ON EUROCURRENCY LOANS. The unpaid principal amount of each General Revolving Loan which is a Eurocurrency Loan shall bear interest from the date of the Borrowing thereof (including any Continuation, Conversion or Redenomination thereof) until maturity (whether by acceleration or otherwise) at a rate per annum which shall at all times during the Interest Period applicable thereto be the Applicable Eurocurrency Margin (as defined below) for such Eurocurrency Loan PLUS the relevant Adjusted Eurocurrency Rate for such Interest Period.

(c) INTEREST ON MONEY MARKET RATE LOANS. The unpaid principal amount of each Swing Line Revolving Loan which is a Money Market Rate Loan shall bear interest from the date of the Borrowing thereof until maturity (whether by acceleration or otherwise) at the rate per annum which shall be equal to the Quoted Rate therefor.

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(d) DEFAULT INTEREST. Notwithstanding the above provisions, if a Default under section 10.1(a) or Event of Default is in existence, all outstanding amounts of principal and, to the extent permitted by law, all overdue interest, in respect of each and every Loan shall bear interest, payable on demand, at a rate per annum equal to 2% per annum above the rate otherwise applicable thereto pursuant to section 2.8(a), (b) or (c). If any amount (other than the principal of and interest on the Loans) payable by the Borrower under the Credit Documents is not paid when due, such amount shall bear interest, payable on demand, at a rate per annum equal to the Prime Rate in effect from time to time PLUS 2% per annum.

(e) ACCRUAL AND PAYMENT OF INTEREST. Interest shall accrue from and including the date of any Borrowing to but excluding the date of any prepayment or repayment thereof and shall be payable:

(i) in the case of any Swing Line Revolving Loan, (A) at the maturity date thereof, which shall in any event be less than 30 days, (B) on any prepayment (on the amount prepaid), and (C) after maturity (whether by acceleration or otherwise), on demand; and

(ii) in the case of any General Revolving Loan, (A) which is a Prime Rate Loan, quarterly in arrears on the last Business Day of March, June, September and December, (B) which is a Eurodollar Loan, on the last day of each Interest Period applicable thereto and, in the case of an Interest Period in excess of three months, on the dates which are successively three months after the commencement of such Interest Period, and (C) on any repayment, prepayment, Conversion or Redenomination (on the amount repaid, prepaid, Converted or Redenominated), at maturity (whether by acceleration or otherwise) and, after such maturity, on demand.

(f) COMPUTATIONS OF INTEREST. All computations of interest hereunder shall be made in accordance with section 12.7(b).

(g) INFORMATION AS TO INTEREST RATES. Each Reference Bank agrees to furnish the Administrative Agent timely information for the purpose of determining the Adjusted Eurocurrency Rate for any Borrowing consisting of Eurocurrency Loans. If any one or more of the Reference Banks shall not timely furnish such information, the Administrative Agent shall determine the Adjusted Eurocurrency Rate on the basis of timely information furnished by the remaining

Reference Banks. The Administrative Agent upon determining the interest rate for any Borrowing shall promptly notify the Borrower and the affected Lenders thereof.

(h) APPLICABLE EUROCURRENCY MARGIN. As used herein, the term "APPLICABLE EUROCURRENCY MARGIN", as applied to any General Revolving Loan which is a Eurocurrency Loan, means the particular rate per annum determined by the Administrative Agent in accordance with the Pricing Grid Table which appears below, based on the Borrower's ratio of Consolidated Total Debt to Consolidated EBITDA and such Pricing Grid Table, and the following provisions:

(i) Initially, until changed hereunder in accordance with the following provisions, the Applicable Eurocurrency Margin for General Revolving Loans will be 185.00 basis points per annum.

(ii) Commencing with the fiscal quarter of the Borrower ended on or nearest to March 31, 1999, and continuing with each fiscal quarter thereafter, the Administrative Agent will determine the Applicable Eurocurrency Margin for any Eurocurrency Loan in accordance with the Pricing Grid Table, based on the Borrower's ratio of (x) Consolidated Total Debt as of the end of the fiscal quarter, to (y) Consolidated EBITDA for the Testing Period ended on the last day of the fiscal quarter, and identified in such Table. Changes in the Applicable Eurocurrency Margin based upon changes in such ratio shall become effective on the first day of the month following the receipt by the Administrative Agent pursuant to section 8.1(a) or (b) of the financial statements of the Borrower, accompanied by the certificate and calculations referred to in section 8.1(c), demonstrating the computation of such ratio, based upon the ratio in effect at the end of the applicable period covered (in whole or in part) by such financial statements.

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(iii) Notwithstanding the above provisions, during any period when (A) the Borrower has failed to timely deliver its consolidated financial statements referred to in section 8.1(a) or (b), accompanied by the certificate and calculations referred to in section 8.1(c), (B) a Default under section 10.1(a) has occurred and is continuing, or (C) an Event of Default has occurred and is continuing, the Applicable Eurocurrency Margin shall be the highest rate per annum indicated therefor in the Pricing Grid Table, regardless of the Borrower's ratio of Consolidated Total Debt to Consolidated EBITDA at such time.

(iv) Any changes in the Applicable Eurocurrency Margin shall be determined by the Administrative Agent in accordance with the above provisions and the Administrative Agent will promptly provide notice of such determinations to the Borrower and the Lenders. Any such determination by the Administrative Agent pursuant to this section 2.8(h) shall be conclusive and binding absent manifest error.

PRICING GRID TABLE
(EXPRESSED IN BASIS POINTS)

<TABLE>
<CAPTION>

| TIER | RATIO OF CONSOLIDATED TOTAL DEBT TO CONSOLIDATED EBITDA | | APPLICABLE EUROCURRENCY MARGIN FOR GENERAL REVOLVING LOANS | | APPLICABLE FACILITY FEE RATE |
|------|---|-----|---|-----|---------------------------------|
| | <S> | <C> | <C> | <C> | |
| V | greater than or equal to 3.00 to 1.00 | | 185.00 | | 40.00 |
| IV | greater than or equal to 2.50 to 1.00 but less than 3.00 to 1.00 | | 150.00 | | 37.50 |
| III | greater than or equal to 2.00 to 1.00 | | | | |

| | | | |
|----|---|--------|-------|
| | but less than 2.50 to 1.00 | 127.50 | 35.00 |
| II | greater than or equal to 1.50 to 1.00 but less than 2.00 to 1.00 | 107.50 | 30.00 |
| I | less than 1.50 to 1.00 | 80.00 | 20.00 |

</TABLE>

2.9. SELECTION AND CONTINUATION OF INTEREST PERIODS. (a) The Borrower shall have the right

(x) at the time it gives a Notice of Borrowing, Notice of Conversion or Notice of Redenomination in respect of the making of, Conversion into, or Redenomination of, a Borrowing of General Revolving Loans consisting of Eurocurrency Loans, to select in such Notice the Interest Period to be applicable to such Borrowing, and

(y) prior to 1:00 P.M. (local time at the Notice Office) on the third Business Day prior to the expiration of an Interest Period applicable to a Borrowing of General Revolving Loans consisting of Eurocurrency Loans, to elect by giving the Administrative Agent written or telephonic notice (in the case of telephonic notice, promptly confirmed in writing if so requested by the Administrative Agent) to Continue all or the Minimum Borrowing Amount of the principal amount of such Loans as one or more Borrowings of Eurocurrency Loans and to select the Interest Period to be applicable to any such Borrowing (any such notice, a "NOTICE OF CONTINUATION"),

which Interest Period shall, at the option of the Borrower, be a one, two, three, four, five or six month period (or if each Lender confirms to the Administrative Agent the availability of funding for Eurodollar Loans for a period

of 9 or 12 months, such 9 or 12 month period); PROVIDED, that notwithstanding anything to the contrary contained above, the Borrower's right to select an Interest Period or to effect any Continuation shall be subject to the applicable provisions of section 2.10 and to the following:

(i) the initial Interest Period for any Borrowing of Eurocurrency Loans shall commence on the date of such Borrowing (the date of a Borrowing resulting from a Conversion, Continuation or Redenomination shall be the date of such Conversion, Continuation or Redenomination) and each Interest Period occurring thereafter in respect of such Borrowing shall commence on the day on which the next preceding Interest Period expires;

(ii) if any Interest Period begins on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period, such Interest Period shall end on the last Business Day of such calendar month;

(iii) if any Interest Period would otherwise expire on a day which is not a Business Day, such Interest Period shall expire on the next succeeding Business Day, PROVIDED that if any Interest Period would otherwise expire on a day which is not a Business Day but is a day of the month after which no further Business Day occurs in such month, such Interest Period shall expire on the next preceding Business Day;

(iv) no Interest Period for any Eurocurrency Loan may be selected which would end after the Maturity Date; and

(v) no Interest Period may be elected at any time when a Default under section 10.1(a) or an Event of Default is then in existence unless the Required Lenders otherwise agree.

(b) If upon the expiration of any Interest Period the Borrower has failed to (or may not) elect a new Interest Period to be applicable to the respective Borrowing of Eurocurrency Loans as provided above, (i) in the case of any such Eurocurrency Loans which are denominated in Dollars, the Borrower shall be deemed to have elected to Convert such Borrowing to Prime Rate Loans effective as of the expiration date of such current Interest Period, and (ii) in the case of any such Eurocurrency Loans which are denominated in an Alternative Currency, the Borrower shall be deemed to have elected, effective as of the expiration date of such current Interest Period, to Redenominate such Loans from the applicable Alternative Currency into an equivalent amount thereof in Dollars, such equivalent amount to be determined on such date by the Administrative Agent in accordance with section 1.5, and to treat such Loans as so Redenominated as Prime Rate Loans.

2.10. INCREASED COSTS, ILLEGALITY, ETC. (a) In the event that (x) in the case of clause (i) below, the Administrative Agent or (y) in the case of clauses (ii) and (iii) below, any Lender, shall have determined on a reasonable basis (which determination shall, absent manifest error, be final and conclusive and binding upon all parties hereto):

(i) on any date for determining the Adjusted Eurocurrency Rate for Eurocurrency Loans denominated in Dollars or in an Alternative Currency for any Interest Period that, by reason of any changes arising after the Effective Date affecting the interbank Eurocurrency market, adequate and fair means do not exist for ascertaining the applicable interest rate on the basis provided for in the definition of Adjusted Eurocurrency Rate; or

(ii) at any time, that such Lender shall incur increased costs or reductions in the amounts received or receivable hereunder in an amount which such Lender deems material with respect to any Eurocurrency Loans (other than any increased cost or reduction in the amount received or receivable resulting from the imposition of or a change in the rate of taxes or similar charges) because of (x) any change since the Effective Date in any applicable law, governmental rule, regulation, guideline, order or request (whether or not having the force of law), or in the interpretation or administration thereof and including the introduction of any new law or governmental rule, regulation, guideline, order or request (such as, for example, but not limited to, a change in official reserve requirements, but, in all events,

excluding reserves includable in the Adjusted Eurocurrency Rate pursuant to the definition thereof), and/or (y) other circumstances adversely affecting the interbank Eurocurrency market or the position of such Lender in such market; or

(iii) at any time, that the making or continuance of any Eurocurrency Loan denominated in Dollars or in an Alternative Currency has become unlawful by compliance by such Lender in good faith with any change since the Effective Date in any law, governmental rule, regulation, guideline or order, or the interpretation or application thereof, or would conflict with any thereof not having the force of law but with which such Lender customarily complies or has become impracticable as a result of a contingency occurring after the Effective Date which materially adversely affects the interbank Eurocurrency market;

THEN, and in any such event, such Lender (or the Administrative Agent in the case of clause (i) above) shall (x) on or promptly following such date or time and (y) within 10 Business Days of the date on which such event no longer exists give notice (by telephone confirmed in writing) to the Borrower and to the Administrative Agent of such determination (which notice the Administrative Agent shall promptly transmit to each of the other applicable Lenders). Thereafter (x) in the case of clause (i) above, Eurocurrency Loans shall no longer be available in the applicable currency until such time as the Administrative Agent notifies the Borrower and the applicable Lenders that the

circumstances giving rise to such notice by the Administrative Agent no longer exist, and any Notice of Borrowing, Notice of Continuation, Notice of Conversion or Notice of Redenomination given by the Borrower with respect to Eurocurrency Loans denominated in such currency which have not yet been incurred, Continued, Converted or Redenominated shall be deemed rescinded by the Borrower or, in the case of a Notice of Borrowing, shall, at the option of the Borrower, be deemed converted into a Notice of Borrowing for Prime Rate Loans to be made on the date of Borrowing contained in such Notice of Borrowing, (y) in the case of clause (ii) above, the Borrower shall pay to such Lender, upon written demand therefor, such additional amounts (in the form of an increased rate of, or a different method of calculating, interest or otherwise as such Lender shall determine) as shall be required to compensate such Lender, for such increased costs or reductions in amounts receivable hereunder (a written notice as to the additional amounts owed to such Lender, showing the basis for the calculation thereof, which basis must be reasonable, submitted to the Borrower by such Lender shall, absent manifest error, be final and conclusive and binding upon all parties hereto) and (z) in the case of clause (iii) above, the Borrower shall take one of the actions specified in section 2.10(b) as promptly as possible and, in any event, within the time period required by law.

(b) At any time that any Eurocurrency Loan denominated in Dollars or an Alternative Currency is affected by the circumstances described in section 2.10(a)(ii) or (iii), the Borrower may (and in the case of a Eurocurrency Loan affected pursuant to section 2.10(a)(iii) the Borrower shall) either (i) if the affected Eurocurrency Loan is then being made pursuant to a Borrowing, by giving the Administrative Agent telephonic notice (confirmed promptly in writing if requested) thereof on the same date that the Borrower was notified by a Lender pursuant to section 2.10(a)(ii) or (iii), cancel said Borrowing, convert the related Notice of Borrowing into one requesting a Borrowing of Prime Rate Loans or require the affected Lender to make its requested Loan as a Prime Rate Loan, or (ii) if the affected Eurocurrency Loan is then outstanding, upon at least one Business Day's notice to the Administrative Agent, require the affected Lender to Convert each such Eurocurrency Loan denominated in Dollars into a Prime Rate Loan, or require the affected Lender to Redenominate and Convert each such Eurocurrency Loan denominated in an Alternative Currency into a Prime Rate Loan denominated in Dollars, PROVIDED that if more than one Lender is affected at any time, then all affected Lenders must be treated the same pursuant to this section 2.10(b).

(c) If any Lender shall have determined that after the Effective Date, the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged by law with the interpretation or administration thereof, or compliance by such Lender or its parent corporation with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank, or comparable agency, in each case made subsequent to the Effective Date, has or would have the effect of reducing by an amount reasonably deemed by such Lender to be material the rate of return on such Lender's or its parent corporation's capital or assets as a consequence of such Lender's commitments or obligations hereunder to a level below that which such Lender or its parent corporation could have achieved but for such adoption, effectiveness,

change or compliance (taking into consideration such Lender's or its parent corporation's policies with respect to capital adequacy), THEN from time to time, within 15 days after demand by such Lender (with a copy to the Administrative Agent), the Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender or its parent corporation for such reduction. Each Lender, upon determining in good faith that any additional amounts will be payable pursuant to this section 2.10(c), will give prompt written notice thereof to the Borrower, which notice shall set forth, in reasonable detail, the basis of the calculation of such additional amounts, which basis must be reasonable, although the failure to give any such notice shall not release or diminish the Borrower's obligations to pay additional amounts pursuant to this section 2.10(c) upon the subsequent receipt of such notice.

(d) Notwithstanding anything in this Agreement to the contrary, (i) no Lender shall be entitled to compensation or payment or reimbursement of other amounts under section 2.10, 3.5 or 5.4 for any amounts incurred or accruing more than 180 days prior to the giving of notice to the Borrower of additional costs or other amounts of the nature described in such sections, and (ii) no Lender shall demand compensation for any reduction referred to in section 2.10(c) or payment or reimbursement of other amounts under section 3.5 or 5.4 if it shall not at the time be the general policy or practice of such Lender to demand such compensation, payment or reimbursement in similar circumstances under comparable provisions of other syndicated credit agreements.

2.11. BREAKAGE COMPENSATION. The Borrower shall compensate each applicable Lender, upon its written request (which request shall set forth the detailed basis for requesting and the method of calculating such compensation), for all reasonable losses (including loss of profits), expenses and liabilities (including, without limitation, any loss, expense or liability incurred by reason of the liquidation or reemployment of deposits or other funds required by such Lender to fund its Eurocurrency Loans or Money Market Rate Loans) which such Lender may sustain: (i) if for any reason (other than a default by such Lender or the Administrative Agent), (A) a Borrowing of Eurocurrency Loans by the Borrower does not occur on a date specified therefor in a Notice of Borrowing, Notice of Continuation, Notice of Conversion or Notice of Redenomination (whether or not rescinded or withdrawn by or on behalf of the Borrower or deemed rescinded or withdrawn pursuant to section 2.10(a)), or (B) a Borrowing of Money Market Rate Loans by the Borrower does not occur on a date specified therefor in a Notice of Borrowing; (ii) if any repayment, prepayment, Continuation, Conversion or Redenomination of any of its Eurocurrency Loans occurs on a date which is not the last day of an Interest Period applicable thereto; (iii) if any repayment or prepayment of any of the Borrower's Money Market Rate Loans occurs on a date which is not the maturity date thereof; (iv) if any prepayment of any of its Eurocurrency Loans or Money Market Rate Loans, as the case may be, is not made on any date specified in a notice of prepayment given by the Borrower; (v) if such Lender transfers its Eurocurrency Loans pursuant to a request by the Borrower under section 2.12(b) hereof; or (vi) as a consequence of (x) any other default by the Borrower to repay its Eurocurrency Loans or Money Market Rate Loans, as the case may be, when required by the terms of this Agreement or (y) an election made pursuant to section 2.10(b).

2.12. CHANGE OF LENDING OFFICE; REPLACEMENT OF LENDERS. (a) Each Lender agrees that, upon the occurrence of any event giving rise to the operation of section 2.10(a)(ii) or (iii), 2.10(c), 3.5 or 5.4 with respect to such Lender, it will, if requested by the Borrower, use reasonable efforts (subject to overall policy considerations of such Lender) to designate another Applicable Lending Office for any Loans or Commitment affected by such event, PROVIDED that such designation is made on such terms that such Lender and its Applicable Lending Office suffer no material economic, legal or regulatory disadvantage, with the object of avoiding the consequence of the event giving rise to the operation of any such section. All terms of this Agreement shall apply to any Applicable Lending Office and the Loans and any Notes issued hereunder shall be deemed held by each Lender for the benefit of its Applicable Lending Office.

(b) If any Lender requests any compensation, reimbursement or other payment under section 2.10(a)(ii) or (iii), 2.10(c) or 3.5 with respect to such Lender, or if the Borrower is required to pay any additional amount to any Lender or governmental authority pursuant to section 5.4, or if any Lender is a Defaulting Lender, or if any Lender notifies the Administrative Agent that it is exercising any right under this Agreement not to fund or maintain a Eurocurrency Loan denominated in Dollars or in an Alternative Currency which the other Lenders are willing or prepared to fund or maintain, THEN the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with the

restrictions contained in section 12.4(c)), all its interests, rights and obligations under this Agreement to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); PROVIDED that (i) the Borrower shall have received the prior written consent of the Administrative Agent, which consent shall not be

unreasonably withheld, (ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts, including any breakage compensation under section 2.11 hereof), and (iii) in the case of any such assignment resulting from a claim for compensation, reimbursement or other payments required to be made under section 2.10(a)(ii) or (iii), 2.10(c) or 3.5 with respect to such Lender, or resulting from any required payments to any Lender or governmental authority pursuant to section 5.4, such assignment will result in a reduction in such compensation, reimbursement or payments. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

(c) Nothing in this section 2.12 shall affect or postpone any of the obligations of any Borrower or the right of any Lender provided in section 2.10, 3.5 or 5.4.

2.13. EUROPEAN ECONOMIC AND MONETARY UNION. The applicable provisions of the foregoing section 2 and the other provisions of this Agreement which relate to Alternative Currencies are subject to the following provisions:

(a) DEFINITIONS. In this section 2.13 and in each other provision of this Agreement to which reference is made expressly or impliedly, the following terms have the meanings given to them in this section 2.13:

"COMMENCEMENT OF THE THIRD STAGE OF EMU" shall mean the date of commencement of the third stage of EMU (at the date hereof expected to be January 1, 1999) or the date on which circumstances arise which (in the opinion of the Administrative Agent) have substantially the same effect and result in substantially the same consequences as commencement of the third stage of EMU as contemplated by the Treaty on European Union.

"EMU" shall mean the economic and monetary union as contemplated by the Treaty on European Union.

"EMU LEGISLATION" shall mean legislative measures of the European Council for the introduction of, changeover to or operation of a single or unified European currency (whether known as the euro or otherwise), being in part the implementation of the third stage of EMU.

"EURO" shall mean the single currency of participating member states of the European Union.

"EURO UNIT" shall mean the currency unit of one euro.

"NATIONAL CURRENCY UNIT" shall mean the unit of currency (other than a euro unit) of a participating member state.

"PARTICIPATING MEMBER STATE" shall mean each state so described in any EMU legislation.

"TREATY ON EUROPEAN UNION" shall mean the Treaty of Rome of March 25, 1957, as amended by the Single European Act 1986 and the Maastricht Treaty (which was signed in Maastricht on February 7, 1992, and came into force on November 1, 1993), as amended from time to time.

(b) EFFECTIVENESS OF PROVISIONS. The provisions of paragraphs (c) to (j) below (inclusive) shall be effective at and from the time commencement of the third stage of EMU, PROVIDED, that, if and to the extent that any such provision relates to any state (or currency of such state) that is not a participating member state on the

commencement of the third stage of EMU, such provision shall become effective in relation to such state (and the currency of such state) at and from the date on which such state becomes a participating member state.

(c) REDENOMINATION AND ALTERNATIVE CURRENCIES. Each obligation under this Agreement of a party to this Agreement which has been denominated in the national currency unit or a participating member state shall be Redenominated into the euro unit in accordance with the EMU legislation, PROVIDED, that if and to the extent that any EMU legislation provides that following the commencement of the third stage of EMU an amount denominated either in the euro or in the national currency unit of a participating member state and payable within that participating member state by crediting an account of the creditor can be paid by the debtor either in the euro unit or in that national currency unit, each party to this Agreement shall be entitled to pay or repay such amount either in the euro unit or in such national currency unit.

(d) LOANS. Any Loan in the currency of a participating member state shall be made in the euro unit, PROVIDED, that if and to the extent that any EMU legislation provides that following the commencement of the third stage of EMU an amount denominated either in the euro or in the national currency unit of a participating member state and payable within that participating member state by crediting an account of the creditor can be paid by the debtor either in the euro unit or in that national currency unit, such Loan shall be made either in the euro unit or in such national currency unit, as selected by the Borrower.

(e) BUSINESS DAYS. With respect to any amount denominated or to be denominated in the euro or a national currency unit, any reference to a "Business Day" shall be construed as a reference to a day (other than a Saturday or a Sunday) on which banks are generally open for business in (i) Cleveland, Ohio; and (ii) on which prime banks in the London, England interbank market will provide quotations for deposits in the relevant currency.

(f) PAYMENTS TO THE ADMINISTRATIVE AGENT. Sections 5.3 and 5.4 shall be construed so that, in relation to the payment of any amount of euro units or national currency units, such amount shall be made available to the Administrative Agent in immediately available, freely transferable, cleared funds to the Payment Office, or such account with such bank in Frankfurt am Main, Germany (or such principal financial center in such participating member state or states as the Administrative Agent may from time to time nominate for this purpose), as the Administrative Agent shall from time to time nominate for this purpose.

(g) PAYMENTS MADE BY THE ADMINISTRATIVE AGENT TO THE LENDERS. Any amount payable by the Administrative Agent to the Lenders under this Agreement in the currency of a participating member state shall be paid in the euro unit.

(h) PAYMENTS BY THE ADMINISTRATIVE AGENT GENERALLY. With respect to the payment of any amount denominated in the euro or in a national currency unit, the Administrative Agent shall not be liable to the Borrower or any of the Lenders in any way whatsoever for any delay, or the consequences of any delay, in the crediting to any account of any amount required by this Agreement to be paid by the Administrative Agent if the Administrative Agent shall have taken all relevant steps to achieve, on the date required by this Agreement, the payment of such amount in immediately available, freely transferable, cleared funds (in the euro unit or, as the case may be, in a national currency unit) to the account of the bank in the principal financial center in the participating member state which the Borrower or, as the case may be, any Lender shall have specified for such purpose. In this paragraph (h), "all relevant steps" means all such steps as may be prescribed from time to time by the regulations or operating procedures of such clearing or settlement system as the Administrative Agent may from time to time determine for the purpose of clearing or settling payments of the euro.

(i) BASIS OF ACCRUAL. If the basis of accrual of interest or Fees expressed in this Agreement with respect to the currency of any state that becomes a participating member state shall be inconsistent with any convention or practice in the London Interbank Market or otherwise provided in this Agreement for the basis of accrual of interest or fees in respect of the euro, such convention or practice shall replace such expressed basis effective as of and from the date on which such state becomes a participating member state; PROVIDED, that if any Loan in the currency of such state is outstanding immediately prior to such date, such replacement shall take effect, with respect to such Loan, at the end of the then current Interest Period.

(j) ROUNDING AND OTHER CONSEQUENTIAL CHANGES. Without prejudice and in addition to any method of conversion or rounding prescribed by EMU legislation and without prejudice to the respective liabilities for indebtedness of the Borrower to the Lenders and the Lenders to the Borrower under or pursuant to this Agreement:

(i) each reference in this Agreement to a minimum amount (or an integral multiple thereof) in a national currency unit to be paid to or by the Administrative Agent shall be replaced by a reference to such reasonably comparable and convenient amount (or an integral multiple thereof) in the euro unit as the Administrative Agent may from time to time specify; and

(ii) except as expressly provided in this section 2.13, each provision of this Agreement shall be subject to such reasonable changes of construction as the Administrative Agent may from time to time specify to be necessary or appropriate to reflect the introduction of or changeover to the euro in participating member states.

(k) INCREASED COSTS. If (i) any Lender shall incur any amount of any cost or increased cost, or suffer any reduction in any amount payable to or in the effective return on its capital to, such Lender or any holding company of such Lender directly in connection with this Agreement, which such Lender considers material, as a result of the introduction of, changeover to or operation of the euro in any participating member state, other than any such cost or reduction or amount foregone reflected in the Adjusted Eurocurrency Rate, and (ii) at the time it shall be the general policy or practice of a reasonable number of major financial institutions based in the United States to provide under comparable provisions of other syndicated credit agreements for the reimbursement, compensation or payment by other borrowers of such amounts in similar circumstances, the Borrower will negotiate in good faith with the Administrative Agent for an amendment to this Agreement providing for the inclusion herein of provisions of the nature so included in such other syndicated credit agreements.

SECTION 3. LETTERS OF CREDIT.

3.1. LETTERS OF CREDIT. (a) Subject to and upon the terms and conditions herein set forth, the Borrower may request a Letter of Credit Issuer at any time and from time to time on or after the Closing Date and prior to the date that is 15 Business Days prior to the Maturity Date to issue, for the account of the Borrower or any of its Subsidiaries (the Borrower or any such Subsidiary, a "LETTER OF CREDIT OBLIGOR"), and in support of industrial development revenue bonds, pollution control bonds, worker compensation, liability insurance, releases of contract retention obligations, contract performance guarantee requirements and other bonding obligations of the Borrower or any such other Letter of Credit Obligor incurred in the ordinary course of its business, and such other standby obligations of the Borrower and the other Letter of Credit Obligors that are acceptable to the Letter of Credit Issuer, and subject to and upon the terms and conditions herein set forth, such Letter of Credit Issuer agrees to issue from time to time, irrevocable standby letters of credit denominated and payable in Dollars or an Alternative Currency in such form as may be approved by such Letter of Credit Issuer and the Administrative Agent (each such letter of credit (and each Existing Letter of Credit described in section 3.1(d)), a "LETTER OF CREDIT" and collectively, the "LETTERS OF CREDIT").

(b) Notwithstanding the foregoing, (i) no Letter of Credit shall be issued the Stated Amount of which, when added to the Letter of Credit Outstanding at such time, would exceed either (x) \$25,000,000 or (y) when added to the aggregate principal amount of all General Revolving Loans and Swing Line Revolving Loans then outstanding, an amount equal to the Total General Revolving Commitment at such time; and (ii) each Letter of Credit shall have an expiry date (including any renewal periods) occurring not later than 15 Business Days prior to the Maturity Date, in each case on terms acceptable to the Administrative Agent and the relevant Letter of Credit Issuer.

(c) Notwithstanding the foregoing, in the event a Lender Default exists, no Letter of Credit Issuer shall be required to issue any Letter of Credit unless either (i) such Letter of Credit Issuer has entered into

arrangements satisfactory to it and the Borrower to eliminate such Letter of Credit Issuer's risk with respect to the participation in Letters of Credit of the Defaulting Lender or Lenders, including by cash collateralizing such Defaulting Lender's or Lenders' General Revolving Facility Percentage of the Letter of Credit Outstanding; or (ii) the issuance of such

Letter of Credit, taking into account the potential failure of the Defaulting Lender or Lenders to risk participate therein, will not cause the Letter of Credit Issuer to incur aggregate credit exposure hereunder with respect to General Revolving Loans and Letter of Credit Outstanding in excess of its General Revolving Commitment, and the Borrower has undertaken, for the benefit of such Letter of Credit Issuer, pursuant to an instrument satisfactory in form and substance to such Letter of Credit Issuer, not to thereafter incur Loans or Letter of Credit Outstanding hereunder which would cause the Letter of Credit Issuer to incur aggregate credit exposure hereunder with respect to General Revolving Loans and Letter of Credit Outstanding in excess of its General Revolving Commitment.

(d) Annex VII hereto contains a description of all letters of credit outstanding on, and to continue in effect after, the Effective Date. Each such letter of credit issued by a bank that is or becomes a Lender under this Agreement on the Effective Date (each, an "EXISTING LETTER OF CREDIT") shall constitute a "Letter of Credit" for all purposes of this Agreement, issued, for purposes of section 3.4(a), on the Effective Date, and the Borrower, the Administrative Agent and the applicable Lenders hereby agree that, from and after such date, the terms of this Agreement shall apply to such Letters of Credit, superseding any other agreement theretofore applicable to them to the extent inconsistent with the terms hereof.

(e) Without limitation of section 3.1(d):

(i) The Existing Letters of Credit include four letters of credit (the "BOND LETTERS OF CREDIT", and individually a "BOND LETTER OF CREDIT") issued by Dresdner Bank AG, New York Branch (in such capacity, the "BOND LETTER OF CREDIT ISSUER"), in the aggregate face amount of \$15,912,603 to support payments on certain IDB Debt, as more fully identified on Annex VII hereto.

(ii) Each Lender agrees to risk participate in such outstanding Bond Letters of Credit as provided herein. Except to the extent relating to fees and inconsistent with the terms hereof (in which case the inconsistent terms herein shall govern), the provisions of the four Reimbursement Agreements applicable to such Bond Letters of Credit, as identified in Annex VII hereto, shall continue to govern such Bond Letters of Credit.

(iii) Notwithstanding anything to the contrary in any such Reimbursement Agreement, the fees payable in connection with each Bond Letter of Credit to be shared with the Lenders shall accrue from the Effective Date at the rate provided in section 4.1(b).

3.2. LETTER OF CREDIT REQUESTS: NOTICES OF ISSUANCE. (a) Whenever it desires that a Letter of Credit be issued, the Borrower shall give the Administrative Agent and the Letter of Credit Issuer written or telephonic notice (in the case of telephonic notice, promptly confirmed in writing if so requested by the Administrative Agent) which, if in the form of written notice shall be substantially in the form of Exhibit B-3, or transmit by electronic communication (if arrangements for doing so have been approved by the Letter of Credit Issuer), prior to 12:00 noon (local time at its Notice Office) at least three Business Days (or such shorter period as may be acceptable to the relevant Letter of Credit Issuer) prior to the proposed date of issuance (which shall be a Business Day) (each a "LETTER OF CREDIT REQUEST"), which Letter of Credit Request shall include such supporting documents that such Letter of Credit Issuer customarily requires in connection therewith (including, in the case of a Letter of Credit for an account party other than the Borrower, an application for, and if applicable a reimbursement agreement with respect to, such Letter of Credit). Any such documents executed in connection with the issuance of a Letter of Credit, including the Letter of Credit itself, are herein referred to as

"LETTER OF CREDIT DOCUMENTS". In the event of any inconsistency between any of the terms or provisions of any Letter of Credit Document and the terms and provisions of this Agreement respecting Letters of Credit, the terms and provisions of this Agreement shall control. The Administrative Agent shall promptly notify each Lender of each Letter of Credit Request.

(b) Each Letter of Credit Issuer shall, on the date of each issuance of a Letter of Credit by it, give the Administrative Agent, each applicable Lender and the Borrower written notice of the issuance of such Letter of Credit, accompanied by a copy to the Administrative Agent of the Letter of Credit or Letters of Credit issued by it. Each Letter of Credit Issuer shall provide to the Administrative Agent a quarterly (or monthly if requested by any applicable Lender) summary describing each Letter of Credit issued by such Letter of Credit Issuer and then

outstanding and an identification for the relevant period of the daily aggregate Letter of Credit Outstanding represented by Letters of Credit issued by such Letter of Credit Issuer.

3.3. AGREEMENT TO REPAY LETTER OF CREDIT DRAWINGS. (a) The Borrower hereby agrees to reimburse (or cause any Letter of Credit Obligor for whose account a Letter of Credit was issued to reimburse) each Letter of Credit Issuer, by making payment directly to such Letter of Credit Issuer in immediately available funds at the payment office of such Letter of Credit Issuer, for any payment or disbursement made by such Letter of Credit Issuer under any Letter of Credit (each such amount so paid or disbursed until reimbursed, an "UNPAID DRAWING") immediately after, and in any event on the date on which, such Letter of Credit Issuer notifies the Borrower (or any such other Letter of Credit Obligor for whose account such Letter of Credit was issued) of such payment or disbursement (which notice to the Borrower (or such other Letter of Credit Obligor) shall be delivered reasonably promptly after any such payment or disbursement), such payment to be made in Dollars (and in the amount which is the Dollar equivalent of any such payment or disbursement made or denominated in an Alternative Currency), with interest on the amount so paid or disbursed by such Letter of Credit Issuer, to the extent not reimbursed prior to 1:00 P.M. (local time at the payment office of the Letter of Credit Issuer) on the date of such payment or disbursement, from and including the date paid or disbursed to but not including the date such Letter of Credit Issuer is reimbursed therefor at a rate per annum which shall be the rate then applicable to General Revolving Loans which are Prime Rate Loans plus an additional 2% per annum, any such interest also to be payable on demand.

(b) The Borrower's obligation under this section 3.3 to reimburse, or cause another Letter of Credit Obligor to reimburse, each Letter of Credit Issuer with respect to Unpaid Drawings (including, in each case, interest thereon) shall be absolute and unconditional under any and all circumstances and irrespective of any setoff, counterclaim or defense to payment which the Borrower or any other Letter of Credit Obligor may have or have had against such Letter of Credit Issuer, the Administrative Agent, any other Letter of Credit Issuer or any Lender, including, without limitation, any defense based upon the failure of any drawing under a Letter of Credit to conform to the terms of the Letter of Credit or any non-application or misapplication by the beneficiary of the proceeds of such drawing, PROVIDED, HOWEVER that the Borrower shall not be obligated to reimburse, or cause another Letter of Credit Obligor to reimburse, a Letter of Credit Issuer for any wrongful payment made by such Letter of Credit Issuer under a Letter of Credit as a result of acts or omissions constituting willful misconduct or gross negligence on the part of such Letter of Credit Issuer.

3.4. LETTER OF CREDIT PARTICIPATIONS. (a) Immediately upon the issuance by a Letter of Credit Issuer of any Letter of Credit (and on the Closing Date with respect to any Existing Letter of Credit), such Letter of Credit Issuer shall be deemed to have sold and transferred to each Lender with a Commitment under the General Revolving Facility, and each such Lender (each a "PARTICIPANT") shall be deemed irrevocably and unconditionally to have purchased and received from such Letter of Credit Issuer, without recourse or warranty, an undivided interest and participation, to the extent of such Lender's General Revolving Facility Percentage, in such Letter of Credit, each substitute letter

of credit, each drawing made thereunder, the obligations of the Borrower under this Agreement with respect thereto (although Letter of Credit Fees shall be payable directly to the Administrative Agent for the account of the Lenders as provided in section 4.1(b) and the Participants shall have no right to receive any portion of any fees of the nature contemplated by section 4.1(c)), the obligations of any Letter of Credit Obligor under any Letter of Credit Documents pertaining thereto, and any security for, or guaranty pertaining to, any of the foregoing. Upon any change in the General Revolving Commitments of the Lenders pursuant to section 12.4(c), it is hereby agreed that, with respect to all outstanding Letters of Credit and Unpaid Drawings, there shall be an automatic adjustment to the participations pursuant to this section 3.4 to reflect the new General Revolving Facility Percentages of the assigning and assignee Lender.

(b) In determining whether to pay under any Letter of Credit, a Letter of Credit Issuer shall not have any obligation relative to the Participants other than to determine that any documents required to be delivered under such Letter of Credit have been delivered and that they appear to comply on their face with the requirements of such Letter of Credit. Any action taken or omitted to be taken by a Letter of Credit Issuer under or in connection with any Letter of Credit if taken or omitted in the absence of gross negligence or willful misconduct, shall not create for such Letter of Credit Issuer any resulting liability.

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(c) In the event that a Letter of Credit Issuer makes any payment under any Letter of Credit and the Borrower shall not have reimbursed (or caused any applicable Letter of Credit Obligor to reimburse) such amount in full to such Letter of Credit Issuer pursuant to section 3.3(a), such Letter of Credit Issuer shall promptly notify the Administrative Agent, and the Administrative Agent shall promptly notify each Participant of such failure, and each Participant shall promptly and unconditionally pay to the Administrative Agent for the account of such Letter of Credit Issuer, the amount of such Participant's General Revolving Facility Percentage of such payment in U.S. Dollars (the Administrative Agent having determined in the case of any payment by a Letter of Credit Issuer made in an Alternative Currency the equivalent thereof in Dollars) and in same day funds, PROVIDED, HOWEVER, that no Participant shall be obligated to pay to the Administrative Agent its General Revolving Facility Percentage of such unreimbursed amount for any wrongful payment made by such Letter of Credit Issuer under a Letter of Credit as a result of acts or omissions constituting willful misconduct or gross negligence on the part of such Letter of Credit Issuer. If the Administrative Agent so notifies any Participant required to fund a payment under a Letter of Credit prior to 11:00 A.M. (local time at its Notice Office) on any Business Day, such Participant shall make available to the Administrative Agent for the account of the relevant Letter of Credit Issuer such Participant's General Revolving Facility Percentage of the amount of such payment on such Business Day in same day funds. If and to the extent such Participant shall not have so made its General Revolving Facility Percentage of the amount of such payment available to the Administrative Agent for the account of the relevant Letter of Credit Issuer, such Participant agrees to pay to the Administrative Agent for the account of such Letter of Credit Issuer, forthwith on demand such amount, together with interest thereon, for each day from such date until the date such amount is paid to the Administrative Agent for the account of such Letter of Credit Issuer at the Federal Funds Effective Rate. The failure of any Participant to make available to the Administrative Agent for the account of the relevant Letter of Credit Issuer its General Revolving Facility Percentage of any payment under any Letter of Credit shall not relieve any other Participant of its obligation hereunder to make available to the Administrative Agent for the account of such Letter of Credit Issuer its General Revolving Facility Percentage of any payment under any Letter of Credit on the date required, as specified above, but no Participant shall be responsible for the failure of any other Participant to make available to the Administrative Agent for the account of such Letter of Credit Issuer such other Participant's General Revolving Facility Percentage of any such payment.

(d) Whenever a Letter of Credit Issuer receives a payment of a reimbursement obligation as to which the Administrative Agent has received for the account of such Letter of Credit Issuer any payments from the Participants pursuant to section 3.4(c) above, such Letter of Credit Issuer shall pay to the

Administrative Agent and the Administrative Agent shall promptly pay to each Participant which has paid its General Revolving Facility Percentage thereof, in U.S. dollars and in same day funds, an amount equal to such Participant's General Revolving Facility Percentage of the principal amount thereof and interest thereon accruing after the purchase of the respective participations, as and to the extent so received.

(e) The obligations of the Participants to make payments to the Administrative Agent for the account of each Letter of Credit Issuer with respect to Letters of Credit shall be irrevocable and not subject to counterclaim, set-off or other defense or any other qualification or exception whatsoever and shall be made in accordance with the terms and conditions of this Agreement under all circumstances, including, without limitation, any of the following circumstances:

(i) any lack of validity or enforceability of this Agreement or any of the other Credit Documents;

(ii) the existence of any claim, set-off defense or other right which the Borrower (or any other Letter of Credit Obligor) may have at any time against a beneficiary named in a Letter of Credit, any transferee of any Letter of Credit (or any person for whom any such transferee may be acting), the Administrative Agent, any Letter of Credit Issuer, any Lender, or other person, whether in connection with this Agreement, any Letter of Credit, the transactions contemplated herein or any unrelated transactions (including any underlying transaction between the Borrower (or any other Letter of Credit Obligor) and the beneficiary named in any such Letter of Credit), other than any claim which the Borrower (or any other Letter of Credit Obligor which is the account party with respect to a Letter of Credit) may have against any

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applicable Letter of Credit Issuer for gross negligence or wilful misconduct of such Letter of Credit Issuer in making payment under any applicable Letter of Credit;

(iii) any draft, certificate or other document presented under the Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(iv) the surrender or impairment of any security for the performance or observance of any of the terms of any of the Credit Documents: or

(v) the occurrence of any Default or Event of Default.

(f) To the extent the Letter of Credit Issuer is not indemnified by the Borrower, the Participants will reimburse and indemnify the Letter of Credit Issuer, in proportion to their respective General Revolving Facility Percentages, for and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, judgments, costs, expenses or disbursements of whatsoever kind or nature which may be imposed on, asserted against or incurred by the Letter of Credit Issuer in performing its respective duties in any way related to or arising out of its issuance of Letters of Credit, PROVIDED that no Participants shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, claims, actions, judgments, costs, expenses or disbursements resulting from the Letter of Credit Issuer's gross negligence or willful misconduct.

3.5. INCREASED COSTS. If after the Effective Date, the adoption of any applicable law, rule or regulation, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Letter of Credit Issuer or any Lender with any request or directive (whether or not having the force of law) by any such authority, central bank or comparable agency (in each case made subsequent to the Effective Date) shall either (i) impose, modify or make applicable any

reserve, deposit, capital adequacy or similar requirement against Letters of Credit issued by such Letter of Credit Issuer or such Lender's participation therein, or (ii) shall impose on such Letter of Credit Issuer or any Lender any other conditions affecting this Agreement, any Letter of Credit or such Lender's participation therein; and the result of any of the foregoing is to increase the cost to such Letter of Credit Issuer or such Lender of issuing, maintaining or participating in any Letter of Credit, or to reduce the amount of any sum received or receivable by such Letter of Credit Issuer or such Lender hereunder (other than any increased cost or reduction in the amount received or receivable resulting from the imposition of or a change in the rate of taxes or similar charges), then, upon demand to the Borrower by such Letter of Credit Issuer or such Lender (a copy of which notice shall be sent by such Letter of Credit Issuer or such Lender to the Administrative Agent), the Borrower shall pay to such Letter of Credit Issuer or such Lender such additional amount or amounts as will compensate any such Letter of Credit Issuer or such Lender for such increased cost or reduction. A certificate submitted to the Borrower by any Letter of Credit Issuer or any Lender, as the case may be (a copy of which certificate shall be sent by such Letter of Credit Issuer or such Lender to the Administrative Agent), setting forth, in reasonable detail, the basis for the determination of such additional amount or amounts necessary to compensate any Letter of Credit Issuer or such Lender as aforesaid shall be conclusive and binding on the Borrower absent manifest error, although the failure to deliver any such certificate shall not release or diminish any of the Borrower's obligations to pay additional amounts pursuant to this section 3.5. Reference is hereby made to the provisions of section 2.10(d) for certain limitations upon the rights of a Letter of Credit Issuer or Lender under this section.

3.6. GUARANTY OF LETTER OF CREDIT OBLIGATIONS OF OTHER LETTER OF CREDIT OBLIGORS. (a) The Borrower hereby unconditionally guarantees, for the benefit of the Administrative Agent and the Lenders, the full and punctual payment of the Obligations of each other Letter of Credit Obligor under each Letter of Credit Document to which such other Letter of Credit Obligor is now or hereafter becomes a party. Upon failure by any such other Letter of Credit Obligor to pay punctually any such amount, the Borrower shall forthwith on demand by the Administrative Agent pay the amount not so paid at the place and in the currency and otherwise in the manner specified in this Agreement or any applicable Letter of Credit Document.

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(b) As a separate, additional and continuing obligation, the Borrower unconditionally and irrevocably undertakes and agrees, for the benefit of the Administrative Agent and the Lenders, that, should any amounts not be recoverable from the Borrower under section 3.6(a) for any reason whatsoever (including, without limitation, by reason of any provision of any Credit Document or any other agreement or instrument executed in connection therewith being or becoming void, unenforceable, or otherwise invalid under any applicable law) then, notwithstanding any notice or knowledge thereof by any Lender, the Administrative Agent, any of their respective Affiliates, or any other person, at any time, the Borrower as sole, original and independent obligor, upon demand by the Administrative Agent, will make payment to the Administrative Agent, for the account of the Lenders and the Administrative Agent, of all such obligations not so recoverable by way of full indemnity, in such currency and otherwise in such manner as is provided in the Credit Documents.

(c) The obligations of the Borrower under this section shall be unconditional and absolute and, without limiting the generality of the foregoing shall not be released, discharged or otherwise affected by the occurrence, one or more times, of any of the following:

(i) any extension, renewal, settlement, compromise, waiver or release in respect to any obligation of any other Letter of Credit Obligor under any Letter of Credit Document, by operation of law or otherwise;

(ii) any modification or amendment of or supplement to this Agreement, any Note or any other Credit Document;

(iii) any release, non-perfection or invalidity of any direct

or indirect security for any obligation of the Borrower under this Agreement, any Note or any other Credit Document or of any other Letter of Credit Obligor under any Letter of Credit Document;

(iv) any change in the corporate existence, structure or ownership of any other Letter of Credit Obligor or any insolvency, bankruptcy, reorganization or other similar proceeding affecting any other Letter of Credit Obligor or its assets or any resulting release or discharge of any obligation of any other Letter of Credit Obligor contained in any Letter of Credit Document;

(v) the existence of any claim, set-off or other rights which the Borrower may have at any time against any other Letter of Credit Obligor, the Administrative Agent, any Lender or any other person, whether in connection herewith or any unrelated transactions;

(vi) any invalidity or unenforceability relating to or against any other Letter of Credit Obligor for any reason of any Letter of Credit Document, or any provision of applicable law or regulation purporting to prohibit the payment by any other Letter of Credit Obligor of any Obligations in respect of any Letter of Credit; or

(vii) any other act or omission to act or delay of any kind by any other Letter of Credit Obligor, the Administrative Agent, any Lender or any other person or any other circumstance whatsoever which might, but for the provisions of this section, constitute a legal or equitable discharge of the Borrower's obligations under this section.

(d) The Borrower's obligations under this section shall remain in full force and effect until the Commitments shall have terminated and the principal of and interest on the Notes and all other amounts payable by the Borrower under the Credit Documents and by any other Letter of Credit Obligor under the Letter of Credit Documents shall have been paid in full. If at any time any payment of any of the Obligations of any other Letter of Credit Obligor in respect of any Letter of Credit Documents is rescinded or must be otherwise restored or returned upon the insolvency, bankruptcy or reorganization of such other Letter of Credit Obligor, the Borrower's obligations under this section with respect to such payment shall be reinstated at such time as though such payment had been due but not made at such time.

(e) The Borrower irrevocably waives acceptance hereof, presentment, demand, protest and any notice not provided for herein, as well as any requirement that at any time any action be taken by any person against any other Letter of Credit Obligor or any other person, or against any collateral or guaranty of any other person.

(f) Until the indefeasible payment in full of all of the Obligations and the termination of the Commitments of the Lenders hereunder, the Borrower shall have no rights, by operation of law or otherwise, upon making any payment under this section to be subrogated to the rights of the payee against any other Letter of Credit Obligor with respect to such payment or otherwise to be reimbursed, indemnified or exonerated by any other Letter of Credit Obligor in respect thereof.

(g) In the event that acceleration of the time for payment of any amount payable by any other Letter of Credit Obligor under any Letter of Credit Document is stayed upon insolvency, bankruptcy or reorganization of such other Letter of Credit Obligor, all such amounts otherwise subject to acceleration under the terms of any applicable Letter of Credit Document shall nonetheless be payable by the Borrower under this section forthwith on demand by the Administrative Agent.

SECTION 4. FEES; COMMITMENTS.

4.1. FEES. (a) FACILITY FEE. (i) The Borrower agrees to pay to the Administrative Agent a Facility Fee ("FACILITY FEE") for the account of each

Non-Defaulting Lender which has a General Revolving Commitment for the period from and including the Effective Date to but not including the date the Total General Revolving Commitment has been terminated, which, for any such Lender, shall be computed on the daily amount of the General Revolving Commitment of such Lender, whether used or unused, at the Applicable Facility Fee Rate, payable quarterly in arrears on the last Business Day of each March, June, September and December and on the Maturity Date, commencing with the last Business Day of December 1998 for the period from the Effective Date to such date.

(ii) As used herein, the term "APPLICABLE FACILITY FEE RATE" means the particular rate per annum determined by the Administrative Agent in accordance with the Pricing Grid Table which appears in section 2.8(h), based on the Borrower's ratio of Consolidated Total Debt to Consolidated EBITDA and such Pricing Grid Table, and the following provisions:

(A) Initially, until changed hereunder in accordance with the following provisions, the Applicable Facility Fee Rate will be 40 basis points per annum.

(B) Commencing with the fiscal quarter of the Borrower ended on or nearest to March 31, 1999, and continuing with each fiscal quarter thereafter, the Administrative Agent will determine the Applicable Facility Fee Rate in accordance with the Pricing Grid Table, based on the Borrower's ratio of (x) Consolidated Total Debt as of the end of the fiscal quarter, to (y) Consolidated EBITDA for the Testing Period ended on the last day of the fiscal quarter, and identified in such Table. Changes in the Applicable Facility Fee Rate based upon changes in such ratio shall become effective on the first day of the month following the receipt by the Administrative Agent pursuant to section 8.1(a) or (b) of the financial statements of the Borrower, accompanied by the certificate and calculations referred to in section 8.1(c), demonstrating the computation of such ratio, based upon the ratio in effect at the end of the applicable period covered (in whole or in part) by such financial statements.

(C) Notwithstanding the above provisions, during any period when (1) the Borrower has failed to timely deliver its consolidated financial statements referred to in section 8.1(a) or (b), accompanied by the certificate and calculations referred to in section 8.1(c), (2) a Default under section 10.1(a) has occurred and is continuing, or (3) an Event of Default has occurred and is continuing, the Applicable Facility Fee Rate shall be the highest rate per annum indicated therefor in the Pricing Grid Table, regardless of the Borrower's ratio of Consolidated Total Debt to Consolidated EBITDA at such time.

(D) Any changes in the Applicable Facility Fee Rate shall be determined by the Administrative Agent in accordance with the above provisions and the Administrative Agent will promptly provide notice of such determinations to the Borrower and the Lenders. Any such determination by the Administrative Agent pursuant to this section 4.1(a) shall be conclusive and binding absent manifest error.

(b) LETTER OF CREDIT FEES. The Borrower agrees to pay to the Administrative Agent, for the account of each Non-Defaulting Lender which has a General Revolving Commitment, PRO RATA on the basis of its General Revolving Facility Percentage, a fee in respect of each Letter of Credit (the "LETTER OF CREDIT FEE"), computed for each day at the rate per annum equal to the Applicable Eurocurrency Margin then in effect, on the Stated Amount of all Letters of Credit outstanding on such day. Accrued Letter of Credit Fees shall be payable on the last Business Day of each March, June, September and December and on the date on which the Total General Revolving Commitment is terminated. Notwithstanding the above provisions, if a Default under section 10.1(a) or Event of Default is in existence, the Borrower will pay to the Administrative Agent, on demand, for the account of each Non- Defaulting Lender which has a General Revolving Commitment, PRO RATA on the basis of its General Revolving Facility Percentage, an additional Letter of Credit Fee for each outstanding

Letter of Credit, computed at 2% per annum above the then prevailing rate for the Letter of Credit Fee on the Stated Amount of such outstanding Letter of Credit for the period such Default or Event of Default is in existence.

(c) FACING FEE. The Borrower agrees to pay directly to each Letter of Credit Issuer, for its own account, a fee in respect of all Letters of Credit issued by it (a "FACING FEE"), at such rate and computed and payable on such basis as may from time to time be agreed in writing between the Borrower and such Letter of Credit Issuer.

(d) ADDITIONAL CHARGES OF LETTER OF CREDIT ISSUER. The Borrower agrees to pay directly to each Letter of Credit Issuer upon each issuance of, drawing under, and/or amendment, extension, renewal or transfer of, a Letter of Credit issued by it such amount as shall at the time of such issuance, drawing, amendment, extension, renewal or transfer be the administrative or processing charge which such Letter of Credit Issuer is customarily charging for issuances of, drawings under or amendments, extensions, renewals or transfers of, letters of credit issued by it.

(e) OTHER FEES. The Borrower shall pay to the Administrative Agent on the Effective Date and thereafter for its own account and/or for distribution to the Lenders such fees as heretofore agreed by the Borrower and the Administrative Agent.

(f) COMPUTATIONS OF FEES. All computations of Fees shall be made in accordance with section 12.7(b).

4.2. VOLUNTARY TERMINATION/REDUCTION OF COMMITMENTS. Upon at least three Business Days' prior written notice (or telephonic notice confirmed in writing) to the Administrative Agent at its Notice Office (which notice the Administrative Agent shall promptly transmit to each of the affected Lenders), the Borrower shall have the right, without premium or penalty, to:

(a) terminate the Total Commitment, PROVIDED that (i) all outstanding Loans are contemporaneously prepaid in accordance with section 5.1, and (ii) either (A) no Letters of Credit remain outstanding, or (B) the Borrower shall contemporaneously either (x) cause all outstanding Letters of Credit to be surrendered for cancellation, or (y) if all of the Lenders with General Revolving Commitments are, in their discretion, willing to permit Letters of Credit to remain outstanding if supported by letters of credit issued by other financial institutions, cause one or more financial institutions, acceptable to the Required Lenders, to issue letters of credit, satisfactory to the Administrative Agent, in favor of the Administrative Agent, supporting the Letters of Credit remaining outstanding hereunder, or (z) the Borrower shall pay to the Administrative Agent an amount in cash and/or Cash Equivalents equal to 100% of the Letter of Credit Outstanding and the Administrative Agent shall hold such payment as security for the reimbursement obligations of the Borrower hereunder in respect of Letters of Credit pursuant to a cash collateral agreement to be entered into in form and substance reasonably satisfactory to the Administrative Agent, each Letter of Credit Issuer and the Borrower (which shall permit certain investments in Cash Equivalents satisfactory

to the Administrative Agent, each Letter of Credit Issuer and the Borrower until the proceeds are applied to the secured obligations);

(b) terminate the Swing Line Revolving Commitment, PROVIDED that all outstanding Swing Line Revolving Loans are contemporaneously prepaid in accordance with section 5.1;

(c) partially and permanently reduce the Unutilized Total General Revolving Commitment, PROVIDED that (i) any such reduction shall apply to proportionately and permanently reduce the General Revolving Commitment of each of the Lenders; (ii) any partial reduction of the Unutilized Total General Revolving Commitment pursuant to this section 4.2(c) shall be in the amount of at least \$5,000,000 (or, if

greater, in integral multiples of \$1,000,000); and (iii) after giving effect to any such partial reduction of the Unutilized Total General Revolving Commitment, the Total General Revolving Commitment then in effect shall exceed the Swing Line Revolving Commitment then in effect by at least \$10,000,000; and/or

(d) partially and permanently reduce the Unutilized Swing Line Revolving Commitment, PROVIDED that any partial reduction of the Unutilized Swing Line Revolving Commitment pursuant to this section 4.2(d) shall be in the amount of at least \$1,000,000 (or, if greater, in integral multiples of \$1,000,000).

4.3. MANDATORY TERMINATION OF COMMITMENTS, ETC. (a) The Total Commitment (and the Commitment of each Lender) shall terminate on the one month anniversary of the date hereof, unless the Closing Date has occurred on or prior to such date.

(b) The Total Commitment shall terminate (and the Commitment of each Lender shall terminate) on the date on which a Change of Control occurs.

4.4. EXTENSION OF MATURITY DATE. At any time after January 1, 2000, and during the 30 day period following delivery by the Borrower pursuant to section 8.1(a) of its consolidated financial statements for its fiscal year most recently ended, and annually thereafter during the 30 day period following delivery by the Borrower of its consolidated financial statements pursuant to section 8.1(a), the Borrower may request the Administrative Agent to determine if all of the Lenders are then willing to extend the Maturity Date for a single additional year. If the Borrower so requests, the Administrative Agent will so advise such Lenders. If all of such Lenders in their sole discretion are all willing to so extend the Maturity Date, after taking into account such considerations as any such Lender may deem relevant, the Borrower, the Administrative Agent and all of such Lenders shall execute and deliver a definitive written instrument so extending the Maturity Date. No such extension of the Maturity Date shall be valid or effective for any purpose unless such definitive written instrument is so signed and delivered within 60 days following the giving by the Administrative Agent of notice to the Lenders that the Borrower has requested such an extension.

SECTION 5. PAYMENTS.

5.1. VOLUNTARY PREPAYMENTS. The Borrower shall have the right to prepay any of its Loans, in whole or in part, without premium or penalty, from time to time on the following terms and conditions:

(a) the Borrower shall give the Administrative Agent at the Notice Office written or telephonic notice (in the case of telephonic notice, promptly confirmed in writing if so requested by the Administrative Agent) of its intent to prepay the Loans, the amount of such prepayment and (in the case of Eurocurrency Loans) the specific Borrowing(s) pursuant to which made, which notice shall be received by the Administrative Agent by

(x) 1:00 P.M. (local time at the Notice Office) three Business Days prior to the date of such prepayment, in the case of any prepayment of Eurocurrency Loans, or

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(y) 1:00 P.M. (local time at the Notice Office) on the date of such prepayment, in the case of any prepayment of Prime Rate Loans or Money Market Rate Loans,

and which notice shall promptly be transmitted by the Administrative Agent to each of the affected Lenders;

(b) in the case of prepayment of any Borrowings under the General Revolving Facility, each partial prepayment of any such Borrowing shall be in an aggregate principal of at least:

(i) \$1,000,000 or an integral multiple of \$100,000 in excess thereof, in the case of Prime Rate Loans,

(ii) \$5,000,000 or an integral multiple of \$500,000 in excess thereof, in the case of Eurocurrency Loans denominated in Dollars, and

(iii) the substantial equivalent of \$5,000,000 or an integral multiple of the substantial equivalent of \$500,000 in excess thereof, in the case of Eurocurrency Loans denominated in an Alternative Currency;

(c) in the case of prepayment of any Borrowings under the Swing Line Revolving Facility, each partial prepayment of any such Borrowing shall be in an aggregate principal of at least \$100,000 or an integral multiple of \$50,000 in excess thereof;

(d) no partial prepayment of any Loans made pursuant to a Borrowing shall reduce the aggregate principal amount of such Loans outstanding pursuant to such Borrowing to an amount less than the Minimum Borrowing Amount applicable thereto;

(e) each prepayment in respect of any Loans made pursuant to a Borrowing shall be applied PRO RATA among such Loans; and

(f) each prepayment of Eurocurrency Loans or Money Market Rate Loans pursuant to this section 5.1 on any date other than the last day of the Interest Period applicable thereto, in the case of Eurocurrency Loans, or the maturity date thereof, in the case of Money Market Rate Loans, shall be accompanied by any amounts payable in respect thereof under section 2.11.

5.2. MANDATORY PREPAYMENTS. The Loans shall be subject to mandatory prepayment in accordance with the following provisions:

(a) IF OUTSTANDING GENERAL REVOLVING LOANS AND LETTER OF CREDIT OUTSTANDINGS EXCEED TOTAL GENERAL REVOLVING COMMITMENT. If on any date (after giving effect to any other payments on such date) the sum of (i) the aggregate outstanding principal amount of General Revolving Loans PLUS (ii) the aggregate amount of Letter of Credit Outstandings, exceeds the Total General Revolving Commitment as then in effect, the Borrower shall prepay on such date that principal amount of General Revolving Loans and, after General Revolving Loans have been paid in full, Unpaid Drawings, in an aggregate amount at least equal to such excess and conforming in the case of partial prepayments of General Revolving Loans to the requirements as to the amounts of partial prepayments of General Revolving Loans which are contained in section 5.1. If, after giving effect to the prepayment of General Revolving Loans and Unpaid Drawings, the aggregate amount of Letter of Credit Outstandings exceeds the Total General Revolving Commitment as then in effect, the Borrower shall pay to the Administrative Agent an amount in cash and/or Cash Equivalents equal to such excess and the Administrative Agent shall hold such payment as security for the reimbursement obligations of the Borrower hereunder in respect of Letters of Credit pursuant to a cash collateral agreement to be entered into in form and substance reasonably satisfactory to the Administrative Agent, each Letter of Credit Issuer and the Borrower (which shall permit certain investments in Cash Equivalents satisfactory to the Administrative Agent, each Letter of Credit Issuer and the Borrower until the proceeds are applied to the secured obligations).

(b) IF OUTSTANDING SWING LINE REVOLVING LOANS EXCEED UNUTILIZED TOTAL GENERAL REVOLVING COMMITMENT. If on any date (after giving effect to any other payments on such date) the aggregate outstanding principal amount of Swing Line Revolving Loans exceeds the Unutilized Total General Revolving Commitment as then in effect, the

Borrower shall prepay on such date Swing Line Revolving Loans in an aggregate amount at least equal to such excess and conforming in the case of partial prepayments of Swing Line Revolving Loans to the requirements as to the amounts of partial prepayments of Swing Line Revolving Loans which are contained in section 5.1.

(c) IF OUTSTANDING SWING LINE REVOLVING LOANS EXCEED SWING LINE REVOLVING COMMITMENT. If on any date (after giving effect to any other payments on such date) the aggregate outstanding principal amount of Swing Line Revolving Loans exceeds the Swing Line Revolving Commitment at such time, the Borrower shall prepay on such date Swing Line Revolving Loans in an aggregate amount at least equal to such excess and conforming in the case of partial prepayments of Swing Line Revolving Loans to the requirements as to the amounts of partial prepayments of Swing Line Revolving Loans which are contained in section 5.1.

(d) IF OUTSTANDING GENERAL REVOLVING LOANS DENOMINATED IN ALTERNATIVE CURRENCIES EXCEED ALTERNATIVE CURRENCY SUBLIMIT. If on any date (after giving effect to any other payments on such date) the U.S. Dollar equivalent of the aggregate outstanding principal amount of General Revolving Loans denominated in Alternative Currencies exceeds the Alternative Currency Sublimit, the Borrower shall prepay on such date General Revolving Loans denominated in Alternative Currencies in an aggregate amount at least equal to such excess and conforming in the case of partial prepayments of General Revolving Loans to the requirements as to the amounts of partial prepayments of General Revolving Loans which are contained in section 5.1.

(e) CERTAIN PROCEEDS OF AN EVENT OF LOSS. If during any fiscal year of the Borrower, the Borrower and its Subsidiaries have received cumulative Cash Proceeds during such fiscal year from one or more Events of Loss involving any of the Collateral of at least \$5,000,000, not later than the third Business Day following the date of receipt of any Cash Proceeds in excess of such amount, an amount, conforming to the requirements as to the amount of partial prepayments contained in section 5.1, at least equal to 100% of the Net Cash Proceeds then received in excess of such amount from any Event of Loss, shall be applied as a mandatory prepayment of principal of the outstanding General Revolving Loans.

(f) CHANGE OF CONTROL. On the date of which a Change of Control occurs, notwithstanding anything to the contrary contained in this Agreement, no further Borrowings shall be made and the then outstanding principal amount of all Loans, if any, shall become due and payable and shall be prepaid in full, and the Borrower shall contemporaneously either (i) cause all outstanding Letters of Credit to be surrendered for cancellation, or (ii) if all of the Lenders with General Revolving Commitments are, in their discretion, willing to permit Letters of Credit to remain outstanding if supported by letters of credit issued by other financial institutions, cause one or more financial institutions, acceptable to the Required Lenders, to issue letters of credit, satisfactory to the Administrative Agent, in favor of the Administrative Agent, supporting the Letters of Credit remaining outstanding hereunder, or (iii) the Borrower shall pay to the Administrative Agent an amount in cash and/or Cash Equivalents equal to 100% of the Letter of Credit Outstanding and the Administrative Agent shall hold such payment as security for the reimbursement obligations of the Borrower hereunder in respect of Letters of Credit pursuant to a cash collateral agreement to be entered into in form and substance reasonably satisfactory to the Administrative Agent, each Letter of Credit Issuer and the Borrower (which shall permit certain investments in Cash Equivalents satisfactory to the Administrative Agent, each Letter of Credit Issuer and the Borrower until the proceeds are applied to the secured obligations).

(g) PARTICULAR LOANS TO BE PREPAID. With respect to each repayment or prepayment of Loans required by this section 5.2, the Borrower shall designate the Types of Loans which are to be prepaid and the specific Borrowing(s) pursuant to which such repayment or prepayment is to be made, PROVIDED that (i) the Borrower shall first so designate all Loans that are Prime Rate Loans and Eurocurrency Loans with

Interest Periods ending on the date of repayment or prepayment prior to designating any other Eurocurrency Loans for repayment or prepayment, (ii) if the outstanding principal amount of Eurocurrency Loans made pursuant to a Borrowing is reduced below the applicable Minimum Borrowing Amount as a result of any such repayment or prepayment, then all the Loans outstanding pursuant to such Borrowing shall be Converted into Prime Rate Loans, and (iii) each repayment and prepayment of any Loans made pursuant to a Borrowing shall be applied PRO RATA among such Loans. In the absence of a designation by the Borrower as described in the preceding sentence, the Administrative Agent shall, subject to the above, make such designation in its sole discretion with a view, but no obligation, to minimize breakage costs owing under section 2.11. Any repayment or prepayment of Eurocurrency Loans or Money Market Rate Loans pursuant to this section 5.2 shall in all events be accompanied by such compensation as is required by section 2.11.

5.3. METHOD AND PLACE OF PAYMENT. Except as otherwise specifically provided herein, all payments under this Agreement shall be made to the Administrative Agent for the ratable (based on its PRO RATA share) account of the Lenders entitled thereto, not later than 1:00 P.M. (local time at the Payment Office) on the date when due and shall be made at the Payment Office in immediately available funds and (i) in the case of payments of principal or interest relating to General Revolving Loans denominated in an Alternative Currency, in that Alternative Currency, and (ii) in all other cases, in lawful money of the United States of America, it being understood that written notice by the Borrower to the Administrative Agent to make a payment from the funds in the Borrower's account at the Payment Office shall constitute the making of such payment to the extent of such funds held in such account. Any payments under this Agreement which are made later than 1:00 P.M. (local time at the Payment Office) shall be deemed to have been made on the next succeeding Business Day. Whenever any payment to be made hereunder shall be stated to be due on a day which is not a Business Day, the due date thereof shall be extended to the next succeeding Business Day and, with respect to payments of principal, interest shall be payable during such extension at the applicable rate in effect immediately prior to such extension.

5.4. NET PAYMENTS. (a) All payments made by the Borrower hereunder, under any Note or any other Credit Document, will be made without setoff, counterclaim or other defense. Except as provided for in section 5.4(b), all such payments will be made free and clear of, and without deduction or withholding for, any present or future taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature now or hereafter imposed by any jurisdiction or by any political subdivision or taxing authority thereof or therein with respect to such payments (but excluding, except as provided in the second succeeding sentence, any tax, imposed on or measured by the net income or net profits of a Lender pursuant to the laws of the jurisdiction under which such Lender is organized or the jurisdiction in which the principal office or Applicable Lending Office of such Lender is located or any subdivision thereof or therein) and all interest, penalties or similar liabilities with respect to such non excluded taxes, levies imposts, duties, fees, assessments or other charges (all such non-excluded taxes levies, imposts, duties, fees assessments or other charges being referred to collectively as "TAXES"). If any Taxes are so levied or imposed, the Borrower agrees to pay the full amount of such Taxes and such additional amounts as may be necessary so that every payment by it of all amounts due hereunder, under any Note or under any other Credit Document, after withholding or deduction for or on account of any Taxes will not be less than the amount provided for herein or in such Note or in such other Credit Document. If any amounts are payable in respect of Taxes pursuant to the preceding sentence, the Borrower agrees to reimburse each Lender, upon the written request of such Lender for taxes imposed on or measured by the net income or profits of such Lender pursuant to the laws of the jurisdiction in which such Lender is organized or in which the principal office or Applicable Lending Office of such Lender is located or under the laws of any political subdivision or taxing authority of any such jurisdiction in which the principal office or Applicable Lending Office of such Lender is located and for any withholding of income or similar taxes imposed by the United States of America as such Lender shall determine are payable by, or withheld from, such Lender in respect of such amounts so paid to or on behalf of such Lender pursuant to the preceding

sentence and in respect of any amounts paid to or on behalf of such Lender pursuant to this sentence, which request shall be accompanied by a statement from such Lender setting forth, in reasonable detail, the computations used in determining such amounts. The Borrower will furnish to the Administrative Agent within 45 days after the date the payment of any Taxes, or any withholding or deduction on account thereof, is due pursuant to applicable law certified copies of tax receipts, or other evidence satisfactory to the Lender, evidencing such payment by the Borrower. The Borrower will indemnify and hold harmless the Administrative Agent and each Lender, and reimburse the Administrative Agent or such Lender upon its written request, for the amount of any Taxes so levied or imposed and paid or withheld by such Lender.

(b) Each Lender that is not a United States person (as such term is defined in section 7701(a)(30) of the Code) for Federal income tax purposes agrees to provide to the Borrower and the Administrative Agent on or prior to the Effective Date, or in the cases of a Lender that is an assignee or transferee of an interest under this Agreement pursuant to section 12.4 (unless the respective Lender was already a Lender hereunder immediately prior to such assignment or transfer and such Lender is in compliance with the provisions of this section 5.4(b)), on the date of such assignment or transfer to such Lender, (i) two accurate and complete original signed copies of Internal Revenue Service Form 4224 or 1001 (or successor forms) certifying to such Lender's entitlement to a complete exemption from United States withholding tax with respect to payments to be made under this Agreement, any Note or any other Credit Document, or (ii) if the Lender is not a "bank" within the meaning of section 881(c)(3)(A) of the Code and cannot deliver either Internal Revenue Service Form 1001 or 4224 pursuant to clause (i) above, (x) a certificate substantially in the form of Exhibit F (any such certificate, a "SECTION 5.4(B)(II) CERTIFICATE") and (y) two accurate and complete original signed copies of Internal Revenue Service Form W-8 (or successor form) certifying to such Lender's entitlement to a complete exemption from United States withholding tax with respect to payments of interest to be made under this Agreement, any Note or any other Credit Document. In addition, each Lender agrees that from time to time after the Effective Date, when a lapse in time or change in circumstances renders the previous certification obsolete or inaccurate in any material respect, it will deliver to the Borrower and the Administrative Agent two new accurate and complete original signed copies of Internal Revenue Service Form 4224 or 1001, or Form W-8 and a Section 5.4(b)(ii) Certificate, as the case may be, and such other forms as may be required in order to confirm or establish the entitlement of such Lender to a continued exemption from or reduction in United States withholding tax with respect to payments under this Agreement, any Note or any other Credit Document, or it shall immediately notify the Borrower and the Administrative Agent of its inability to deliver any such Form or Certificate, in which case such Lender shall not be required to deliver any such Form or Certificate pursuant to this section 5.4(b). Notwithstanding anything to the contrary contained in section 5.4(a), but subject to section 12.4(c) and the immediately succeeding sentence, (x) the Borrower shall be entitled, to the extent it is required to do so by law, to deduct or withhold income or other similar taxes imposed by the United States (or any political subdivision or taxing authority thereof or therein) from interest, fees or other amounts payable hereunder for the account of any Lender which is not a United States person (as such term is defined in section 7701(a)(30) of the Code) for United States federal income tax purposes and which has not provided to the Borrower such forms that establish a complete exemption from such deduction or withholding and (y) the Borrower shall not be obligated pursuant to section 5.4(a) hereof to gross-up payments to be made to a Lender in respect of income or similar taxes imposed by the United States or any additional amounts with respect thereto (I) if such Lender has not provided to the Borrower the Internal Revenue Service forms required to be provided to the Borrower pursuant to this section 5.4(b) or (II) in the case of a payment other than interest, to a Lender described in clause (ii) above, to the extent that such forms do not establish a complete exemption from withholding of such taxes. Notwithstanding anything to the contrary contained in the preceding sentence or elsewhere in this section 5.4 and except as specifically provided for in section 12.4(c), the Borrower agrees to pay additional amounts and indemnify each Lender in the manner set forth in section 5.4(a) (without regard to the identity of the jurisdiction requiring the deduction or withholding) in respect of any Taxes deducted or withheld by it as described in the previous sentence as a result of any changes after the Effective Date in any applicable law, treaty, governmental

rule, regulation, guideline or order, or in the interpretation thereof, relating to the deducting or withholding of income or similar Taxes.

(c) If any Lender, in its sole opinion, determines that it has finally and irrevocably received or been granted a refund in respect of any Taxes paid as to which indemnification has been paid by the Borrower pursuant to this section, it shall promptly remit such refund (including any interest received in respect thereof), net of all out-of-pocket costs and expenses; PROVIDED, that the Borrower agrees to promptly return any such refund (plus interest) to such Lender in the event such Lender is required to repay such refund to the relevant taxing authority. Any such Lender shall provide the Borrower with a copy of any notice of assessment from the relevant taxing authority (redacting any unrelated confidential information contained therein) requiring repayment of such refund. Nothing contained herein shall impose an obligation on any Lender to apply for any such refund.

(d) Reference is hereby made to the provisions of section 2.10(d) for certain limitations upon the rights of a Lender under this section.

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SECTION 6. CONDITIONS PRECEDENT.

6.1. CONDITIONS PRECEDENT AT CLOSING DATE. The obligation of the Lenders to make Loans, and of any Letter of Credit Issuer to issue Letters of Credit, is subject to the satisfaction of each of the following conditions on the Closing Date:

(a) EFFECTIVENESS; NOTES. On or prior to the Closing Date, (i) the Effective Date shall have occurred and (ii) there shall have been delivered to the Administrative Agent for the account of each Lender each appropriate Note executed by the Borrower, in each case, in the amount, maturity and as otherwise provided herein.

(b) FEES, ETC. The Borrower shall have paid or caused to be paid all fees required to be paid by it on or prior to such date pursuant to section 4.1 hereof and all reasonable fees and expenses of the Administrative Agent and of special counsel to the Administrative Agent which have been invoiced on or prior to such date in connection with the preparation, execution and delivery of this Agreement and the other Credit Documents and the consummation of the transactions contemplated hereby and thereby.

(c) OTHER CREDIT DOCUMENTS. The Credit Parties named therein shall have duly executed and delivered and there shall be in full force and effect, and original counterparts shall have been delivered to the Administrative Agent, in sufficient quantities for the Administrative Agent and the Lenders, of, (i) the Pledge Agreement (as modified, amended or supplemented from time to time in accordance with the terms thereof and hereof, the "PLEDGE AGREEMENT"), substantially in the form attached hereto as Exhibit C-1; (ii) the Security Agreement (as modified, amended or supplemented from time to time in accordance with the terms thereof and hereof, the "SECURITY AGREEMENT"), substantially in the form attached hereto as Exhibit C-2; and (iii) the mortgages, deeds of trust or similar documents (each as modified, amended or supplemented from time to time in accordance with the terms thereof and hereof, a "MORTGAGE"), substantially in the respective forms attached hereto as Exhibits C-3 and C-4, covering certain properties of the Borrower located in the State of Ohio and the Commonwealth of Virginia.

(d) CORPORATE RESOLUTIONS AND APPROVALS. The Administrative Agent shall have received, in sufficient quantity for the Administrative Agent and the Lenders, certified copies of the resolutions of the Board of Directors of the Borrower and each other Credit Party, approving the Credit Documents to which the Borrower or any such other Credit Party, as the case may be, is or may become a party, and of all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to the execution,

delivery and performance by the Borrower or any such other Credit Party of the Credit Documents to which it is or may become a party.

(e) INCUMBENCY CERTIFICATES. The Administrative Agent shall have received, in sufficient quantity for the Administrative Agent and the Lenders, a certificate of the Secretary or an Assistant Secretary of the Borrower and of each other Credit Party, certifying the names and true signatures of the officers of the Borrower or such other Credit Party, as the case may be, authorized to sign the Credit Documents to which the Borrower or such other Credit Party is a party and any other documents to which the Borrower or any such other Credit Party is a party which may be executed and delivered in connection herewith.

(f) OPINION OF COUNSEL. On the Closing Date, the Administrative Agent shall have received an opinion, addressed to the Administrative Agent and each of the Lenders and dated the Closing Date, from the General Counsel of the Borrower, substantially in the form of Exhibit D hereto and covering such other matters incident to the transactions contemplated hereby as the Administrative Agent may reasonably request, such opinion to be in form and substance satisfactory to the Administrative Agent.

(g) EXISTING CREDIT FACILITY. Contemporaneously with the Closing Date, the Borrower shall have terminated its existing credit agreement, dated as of November 11, 1996, and prepaid any borrowings thereunder.

(h) RECORDATION OF SECURITY DOCUMENTS, DELIVERY OF COLLATERAL, TAXES, ETC. The Security Documents (or proper notices or financing statements in respect thereof) shall have been duly recorded, published and filed in such manner and in such places as is required by law to establish, perfect, preserve and protect the rights and security interests of the parties thereto and their respective successors and assigns, all collateral items required to be physically delivered to the Collateral Agent thereunder shall have been so delivered, accompanied by any appropriate instruments of transfer, and all taxes, fees and other charges then due and payable in connection with the execution, delivery, recording, publishing and filing of such instruments and the issue and delivery of the Notes shall have been paid in full.

(i) EVIDENCE OF INSURANCE. The Collateral Agent shall have received certificates of insurance and other evidence, satisfactory to it, of compliance with the insurance requirements of this Agreement and the Security Documents.

(j) SEARCH REPORTS. The Administrative Agent shall have received completed requests for information on Form UCC-11, or search reports from one or more commercial search firms acceptable to the Administrative Agent, listing all of the effective financing statements filed against any Credit Party which is a party to any Security Document in any jurisdiction in which such Credit Party maintains an office or in which any Collateral of such Credit Party is located, together with copies of such financing statements.

(k) TITLE POLICIES AND OTHER DOCUMENTS RELATING TO MORTGAGED PROPERTIES. As to each Real Property subjected to the Lien of a Mortgage (a "MORTGAGED PROPERTY"), the Collateral Agent shall have received:

(i) an American Land Title Association (ALTA) mortgagee title insurance policy or policies, or unconditional commitments therefor (a "MORTGAGE POLICY") issued by a title insurance company satisfactory to the Collateral Agent (a "TITLE COMPANY"), in an amount not less than the amount required therefor by the Collateral Agent, insuring fee simple title to, or a valid leasehold interest in, such Mortgaged

Property vested in the Borrower and assuring the Collateral Agent that the applicable Mortgage creates a valid and enforceable first priority mortgage lien on the respective Mortgaged Property encumbered thereby, subject only to a standard survey exception, which Mortgage Policy (1) shall include an endorsement for mechanics' liens, for revolving, "variable rate" and future advances under this Agreement and for any other matters reasonably requested by the Collateral Agent and (2) shall provide for affirmative insurance and such reinsurance as the Collateral Agent may reasonably request, all of the foregoing in form and substance reasonably satisfactory to the Collateral Agent;

(ii) a title report issued by the Title Company with respect thereto, dated not more than 30 days prior to the Closing Date and satisfactory in form and substance to the Collateral Agent;

(iii) copies of all recorded documents listed as exceptions to title or otherwise referred to in the Mortgage Policy or in such title report;

(iv) evidence, which may be in the form of a letter from the Title Company or from an insurance broker, surveyor or engineer, as to whether (1) such Mortgaged Property is a Flood Hazard Property, and (2) the community in which such Flood Hazard Property is located is participating in the National Flood Insurance Program, and if such Mortgaged Property is a Flood Hazard Property, evidence that the Borrower has obtained flood insurance in respect of such Flood Hazard Property to the extent required under the applicable regulations of the Board of Governors of the Federal Reserve System; and

(v) a certificate of the Borrower identifying any Phase I, Phase II or other environmental report received in draft or final form by any Credit Party during the five year period prior to the Closing Date with respect to such Mortgaged Property and/or the operations conducted

therefrom, or stating that no such draft or final form reports have been requested or received by any Credit Party (or its counsel), together with true and correct copies of all such environmental reports so listed (in draft form, if not finalized); and all such environmental reports shall be satisfactory in form and substance to the Collateral Agent and each of the Lenders.

In addition, the Borrower shall have paid or caused to be paid all costs and expenses payable in connection with all of such actions, including but not limited to (x) all mortgage, intangibles or similar taxes or fees, however characterized, payable in respect of this Agreement, the execution and delivery of the Notes, any of the Mortgages or any of the other Credit Documents or the recording of any of the same or any other documents related thereto; and (y) all expenses and premiums of the Title Company in connection with the issuance of such policy or policies of title insurance and to all costs and expenses required for the recording of the Mortgages or any other Credit Documents or any other related documents in the appropriate public records. If and to the extent that any of the requirements contained in this section 6.1(k) is not satisfied at and as of the Closing Date and the Lenders nevertheless actually fund one or more Borrowings on the Closing Date, the Borrower shall have delivered to the Administrative Agent its irrevocable undertaking to cause the requirements contained in this section 6.1(k) to be satisfied within 30 days following the Closing Date.

(1) PROCEEDINGS AND DOCUMENTS. All corporate and other

proceedings and all documents incidental to the transactions contemplated hereby shall be satisfactory in substance and form to the Administrative Agent and the Lenders and the Administrative Agent and its special counsel and the Lenders shall have received all such counterpart originals or certified or other copies of such documents as the Administrative Agent or its special counsel or any Lender may reasonably request.

6.2. CONDITIONS PRECEDENT TO ALL CREDIT EVENTS. The obligations of the Lenders to make each Loan and/or of a Letter of Credit Issuer to issue each Letter of Credit is subject, at the time thereof, to the satisfaction of the following conditions:

(a) **NOTICE OF BORROWING, ETC.** The Administrative Agent shall have received a Notice of Borrowing meeting the requirements of section 2.3 with respect to the incurrence of Loans or a Letter of Credit Request meeting the requirement of section 3.2 with respect to the issuance of a Letter of Credit.

(b) **NO DEFAULT; REPRESENTATIONS AND WARRANTIES.** At the time of each Credit Event and also after giving effect thereto, (i) there shall exist no Default or Event of Default and (ii) all representations and warranties of the Credit Parties contained herein or in the other Credit Documents shall be true and correct in all material respects with the same effect as though such representations and warranties had been made on and as of the date of such Credit Event, except to the extent that such representations and warranties expressly relate to an earlier specified date, in which case such representations and warranties shall have been true and correct in all material respects as of the date when made.

The acceptance of the benefits of each Loan or issuance of a Letter of Credit shall constitute a representation and warranty by the Borrower to each of the Lenders that all of the applicable conditions specified in section 6.1 and/or 6.2, as the case may be, exist as of that time. All of the certificates, legal opinions and other documents and papers referred to in section 6.1 or this section 6.2, unless otherwise specified, shall be delivered to the Administrative Agent for the account of each of the Lenders and, except for the Notes, in sufficient counterparts for each of the Lenders, and the Administrative Agent will promptly distribute to the Lenders their respective Notes and the copies of such other certificates, legal opinions and documents.

SECTION 7. REPRESENTATIONS AND WARRANTIES.

In order to induce the Lenders to enter into this Agreement and to make the Loans, and/or to issue and/or to participate in the Letters of Credit provided for herein, the Borrower makes the following representations and warranties to, and agreements with, the Lenders, all of which shall survive the execution and delivery of this Agreement and each Credit Event:

7.1. CORPORATE STATUS, ETC. Each of the Borrower and its Subsidiaries (i) is a duly organized or formed and validly existing corporation, partnership or limited liability company, as the case may be, in good standing under the laws of the jurisdiction of its formation and has the corporate, partnership or limited liability company power and authority, as applicable, to own its property and assets and to transact the business in which it is engaged and presently proposes to engage, and (ii) has duly qualified and is authorized to do business in all jurisdictions where it is required to be so qualified except where the failure to be so qualified would not have a Material Adverse Effect.

7.2. SUBSIDIARIES. Annex II hereto lists, as of the date hereof, each Subsidiary of the Borrower (and the direct and indirect ownership interest of the Borrower therein).

7.3. CORPORATE POWER AND AUTHORITY, ETC. Each Credit Party has the corporate or other organizational power and authority to execute, deliver and carry out the terms and provisions of the Credit Documents to which it is party and has taken all necessary corporate or other organizational action to

authorize the execution, delivery and performance of the Credit Documents to which it is party. Each Credit Party has duly executed and delivered each Credit Document to which it is party and each Credit Document to which it is party constitutes the legal, valid and binding agreement or obligation of such Credit Party enforceable in accordance with its terms, except to the extent that the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws generally affecting creditors' rights and by equitable principles (regardless of whether enforcement is sought in equity or at law).

7.4. NO VIOLATION. Neither the execution, delivery and performance by any Credit Party of the Credit Documents to which it is party nor compliance with the terms and provisions thereof, nor the consummation of the loan transactions contemplated therein (i) will contravene any provision of any law, statute, rule, regulation, order, writ, injunction or decree of any court or governmental instrumentality applicable to such Credit Party or its properties and assets, (ii) will conflict with or result in any breach of, any of the terms, covenants, conditions or provisions of, or constitute a default under, or result in the creation or imposition of (or the obligation to create or impose) any Lien (other than the Lien of any Security Document) upon any of the property or assets of such Credit Party or any of its Subsidiaries pursuant to the terms of any promissory note, bond, debenture, indenture, mortgage, deed of trust, credit or loan agreement, or any other material agreement or other instrument, to which such Credit Party or any of its Subsidiaries is a party or by which it or any of its property or assets are bound or to which it may be subject, or (iii) will violate any provision of the articles or certificate of incorporation, code of regulations, by-laws or other organizational document of such Credit Party.

7.5. GOVERNMENTAL APPROVALS. No order, consent, approval, license, authorization, or validation of, or filing, recording or registration with, or exemption by, any foreign or domestic governmental or public body or authority, or any subdivision thereof, is required to authorize or is required as a condition to (i) the execution, delivery and performance by any Credit Party of any Credit Document to which it is a party, or (ii) the legality, validity, binding effect or enforceability of any Credit Document to which any Credit Party is a party, EXCEPT for any filings or recordings necessary to perfect any Lien provided for in any Security Document.

7.6. LITIGATION. There are no actions, suits or proceedings pending or, to, the knowledge of the Borrower, threatened with respect to the Borrower or any of its Subsidiaries (i) that have, or could reasonably be expected to have, a Material Adverse Effect, or (ii) which question the validity or enforceability of any of the Credit Documents, or of any action to be taken by the Borrower or any of the other Credit Parties pursuant to any of the Credit Documents.

7.7. USE OF PROCEEDS; MARGIN REGULATIONS. (a) The proceeds of all Loans shall be utilized for lawful purposes not inconsistent with the requirements of this Agreement.

(b) No part of the proceeds of any Credit Event will be used directly or indirectly to purchase or carry Margin Stock, or to extend credit to others for the purpose of purchasing or carrying any Margin Stock, in violation of any of the provisions of Regulation T, U or X of the Board of Governors of the Federal Reserve System. The Borrower is not engaged in the business of extending credit for the purpose of purchasing or carrying any Margin Stock. At no time would more than 25% of the value of the assets of the Borrower or of the Borrower and its

consolidated Subsidiaries that are subject to any "arrangement" (as such term is used in section 221.2(g) of such Regulation U) hereunder be represented by Margin Stock.

7.8. FINANCIAL STATEMENTS, ETC. (a) The Borrower has furnished to the Lenders and the Administrative Agent complete and correct copies of (i) the audited consolidated balance sheets of the Borrower and its consolidated subsidiaries as of December 31, 1997 and December 31, 1996 and the related audited consolidated statements of income, shareholders' equity, and cash flows

of the Borrower and its consolidated subsidiaries for the fiscal years then ended, accompanied by the report thereon of the Borrower's independent public accountants; and (ii) the condensed consolidated balance sheets of the Borrower and its consolidated subsidiaries as of September 30, 1998, and the related condensed consolidated statements of income and of cash flows of the Borrower and its consolidated subsidiaries for the nine months then ended, as included in the Borrower's Report on Form 10-Q filed with the SEC. All such financial statements have been prepared in accordance with GAAP, consistently applied (except as stated therein), and fairly present the financial position of the Borrower and its consolidated subsidiaries as of the respective dates indicated and the consolidated results of their operations and cash flows for the respective periods indicated, subject in the case of any such financial statements which are unaudited, to normal audit adjustments, none of which will involve a Material Adverse Effect.

(b) The Borrower has received consideration which is the reasonable equivalent value of the obligations and liabilities that the Borrower has incurred to the Administrative Agent and the Lenders. The Borrower now has capital sufficient to carry on its business and transactions and all business and transactions in which it is about to engage and is now solvent and able to pay its debts as they mature and the Borrower, as of the Closing Date, owns property having a value, both at fair valuation and at present fair salable value, greater than the amount required to pay the Borrower's debts; and the Borrower is not entering into the Credit Documents with the intent to hinder, delay or defraud its creditors. For purposes of this section 7.8(b), "DEBT" means any liability on a claim, and "CLAIM" means (x) 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 (y) 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.

(c) The Borrower has delivered or caused to be delivered to the Lenders prior to the execution and delivery of this Agreement (i) a copy of the Borrower's Report on Form 10-K as filed (without Exhibits) with the SEC for its fiscal year ended on or nearest to December 31, 1997, which contains a general description of the business and affairs of the Borrower and its Subsidiaries, and (ii) a Confidential Information Memorandum dated October/November 1998 (the "INFORMATION MEMORANDUM") prepared by the Administrative Agent with the assistance of the Borrower, which Information Memorandum includes, among other things, financial projections prepared by management of the Borrower for the Borrower and its Subsidiaries for the fiscal years 1998-2001 (the "FINANCIAL PROJECTIONS"). The Financial Projections were prepared on behalf of the Borrower in good faith after taking into account the existing and historical levels of business activity of the Borrower and its Subsidiaries, known trends, including general economic trends, and all other information, assumptions and estimates considered by management of the Borrower and its Subsidiaries to be pertinent thereto. The Financial Projections were considered by management of the Borrower, as of such date of preparation, to be realistically achievable; PROVIDED, that no representation or warranty is made as to the impact of future general economic conditions or as to whether the Borrower's projected consolidated results as set forth in the Financial Projections will actually be realized. No facts are known to the Borrower at the date hereof which, if reflected in the Financial Projections, would result in a material adverse change in the assets, liabilities, results of operations or cash flows reflected therein, other than those disclosed as contemplated by section 7.9.

7.9. NO MATERIAL ADVERSE CHANGE. Since December 31, 1997, there has been no change in the financial condition, results of operations, cash flows, business or affairs of the Borrower and its Subsidiaries taken as a whole, or their properties and assets considered as an entirety, which, individually or in the aggregate, has had or could reasonably be expected to have, a Material Adverse Effect, EXCEPT for those changes disclosed in (i) the Borrower's Quarterly Reports on Form 10-Q for the fiscal periods ended March 31, June 30, and September 30, 1998, as filed with the SEC (copies of which have been delivered to the Lenders), or (ii) the Information Memorandum.

7.10. TAX RETURNS AND PAYMENTS. Each of the Borrower and each of its Subsidiaries has filed all federal income tax returns and all other material tax returns, domestic and foreign, required to be filed by it and has paid all material taxes and assessments payable by it which have become due, other than those not yet delinquent and except for those contested in good faith. The Borrower and each of its Subsidiaries has established on its books such charges, accruals and reserves in respect of taxes, assessments, fees and other governmental charges for all fiscal periods as are required by GAAP. The Borrower knows of no proposed assessment for additional federal, foreign or state taxes for any period, or of any basis therefor, which, individually or in the aggregate, taking into account such charges, accruals and reserves in respect thereof as the Borrower and its Subsidiaries have made, could reasonably be expected to have a Material Adverse Effect.

7.11. TITLE TO PROPERTIES, ETC. The Borrower and each of its Subsidiaries has good and marketable title, in the case of real property, and good title (or valid Leaseholds, in the case of any leased property), in the case of all other property, to all of its properties and assets free and clear of Liens other than Liens permitted by section 9.3. The interests of the Borrower and each of its Subsidiaries in the properties reflected in the most recent balance sheet referred to in section 7.8, taken as a whole, were sufficient, in the judgment of the Borrower, as of the date of such balance sheet for purposes of the ownership and operation of the businesses conducted by the Borrower and such Subsidiaries.

7.12. LAWFUL OPERATIONS, ETC. Except for known situations or incidents which are reserved for on the most recent consolidated balance sheet referred to in section 7.8 or which, if not so reserved, could not reasonably be expected to have a Material Adverse Effect, the Borrower and each of its Subsidiaries is in full compliance with all material requirements imposed by law, whether federal or state, including (without limitation) Environmental Laws and zoning ordinances.

7.13. ENVIRONMENTAL MATTERS. (a) The Borrower and each of its Subsidiaries is in compliance with all Environmental Laws governing its business, except to the extent that any such failure to comply (together with any resulting penalties, fines or forfeitures) would not reasonably be expected to have a Material Adverse Effect. All licenses, permits, registrations or approvals required for the business of the Borrower and each of its Subsidiaries under any Environmental Law have been secured and the Borrower and each of its Subsidiaries is in substantial compliance therewith, except for such licenses, permits, registrations or approvals the failure to secure or to comply therewith is not reasonably likely to have a Material Adverse Effect. Neither the Borrower nor any of its Subsidiaries has received written notice, or otherwise knows, that it is in any respect in noncompliance with, breach of or default under any Environmental Laws, and no event has occurred and is continuing which, with the passage of time or the giving of notice or both, would constitute noncompliance, breach of or default thereunder, except in each such case, such noncompliance, breaches or defaults as would not reasonably be expected to, in the aggregate, have a Material Adverse Effect. There are no Environmental Claims pending or, to the best knowledge of the Borrower, threatened wherein an unfavorable decision, ruling or finding would reasonably be expected to have a Material Adverse Effect.

(b) Hazardous Materials have not at any time been (i) generated, used, treated or stored on, or transported to or from, any Real Property of the Borrower or any of its Subsidiaries or (ii) released on any such Real Property, in each case where such occurrence or event is not in compliance with Environmental Laws and is reasonably likely to have a Material Adverse Effect.

7.14. COMPLIANCE WITH ERISA. Compliance by the Borrower and the other Credit Parties with the provisions hereof and Credit Events contemplated hereby will not involve any prohibited transaction within the meaning of ERISA or section 4975 of the Code. The Borrower and each of its Subsidiaries, (i) has fulfilled all obligations under minimum funding standards of ERISA and the Code with respect to each Plan that is not a Multiemployer Plan or a Multiple Employer Plan, (ii) has satisfied all respective contribution obligations in respect of each Multiemployer Plan and each Multiple Employer Plan, (iii) is in compliance in all material respects with all other applicable provisions of ERISA and the Code with respect to each Plan, each Multiemployer Plan and each Multiple Employer Plan, and (iv) has not incurred any liability under the Title IV of ERISA to the PBGC with respect to any Plan, any Multiemployer Plan, any Multiple Employer Plan, or any trust established thereunder. No Plan or trust created thereunder has been terminated, and there have been no Reportable Events, with respect to any Plan or trust created thereunder or with respect to

or Reportable Event will or could result in the termination of such Plan, Multiemployer Plan or Multiple Employer Plan and give rise to a material liability of the Borrower or any ERISA Affiliate in respect thereof. Neither the Borrower nor any ERISA Affiliate is at the date hereof, or has been at any time within the two years preceding the date hereof, an employer required to contribute to any Multiemployer Plan or Multiple Employer Plan, or a "contributing sponsor" (as such term is defined in section 4001 of ERISA) in any Multiemployer Plan or Multiple Employer Plan. Neither the Borrower nor any ERISA Affiliate has any contingent liability with respect to any post-retirement "welfare benefit plan" (as such term is defined in ERISA) except as has been disclosed to the Lenders in writing.

7.15. INTELLECTUAL PROPERTY, ETC. The Borrower and each of its Subsidiaries has obtained or has the right to use all material patents, trademarks, service marks, trade names, copyrights, licenses and other rights with respect to the foregoing necessary for the present and planned future conduct of its business, without any known conflict with the rights of others, EXCEPT for such patents, trademarks, service marks, trade names, copyrights, licenses and rights, the loss of which, and such conflicts, which in any such case individually or in the aggregate would not reasonably be expected to have a Material Adverse Effect.

7.16. BURDENSONE CONTRACTS; LABOR RELATIONS. Neither the Borrower nor any of its Subsidiaries (i) is subject to any unduly burdensome contract, agreement, corporate restriction, judgment, decree or order, (ii) is a party to any labor dispute affecting any bargaining unit or other group of employees generally, (iii) is subject to any material strike, slow down, workout or other concerted interruptions of operations by employees of the Borrower or any Subsidiary, whether or not relating to any labor contracts, (iv) is subject to any significant pending or, to the knowledge of the Borrower, threatened, unfair labor practice complaint, before the National Labor Relations Board, and (v) is subject to any significant pending or, to the knowledge of the Borrower, threatened, grievance or significant arbitration proceeding arising out of or under any collective bargaining agreement, (vi) is subject to any significant pending or, to the knowledge of the Borrower, threatened, significant strike, labor dispute, slowdown or stoppage, or (vii) is, to the knowledge of the Borrower, involved or subject to any union representation organizing or certification matter with respect to the employees of the Borrower or any of its Subsidiaries, EXCEPT (with respect to any matter specified in any of the above clauses), for such matters as, individually or in the aggregate, would not reasonably be likely to have a Material Adverse Effect.

7.17. YEAR 2000 COMPUTER MATTERS. (a) The Borrower and its Subsidiaries (i) have conducted a comprehensive review and are conducting an assessment of all areas of their business that could be adversely affected by the "Y2K ISSUE" (that is, the risk that computer applications used by the Borrower and its Subsidiaries may be unable to recognize and perform properly date-sensitive functions involving certain dates prior to and any date after December 31, 1999), which review and assessment has included written inquiry of (to the date hereof, many, and within a reasonable period of time thereafter, most and, ultimately, all) of the Borrower's and its Subsidiaries' key suppliers and vendors with whom there is regular electronic communication via access to computer networks or systems, (ii) have developed a detailed plan and timeline for addressing the Y2K issue, including linkages with, and programming changes to be made by, key suppliers, vendors and customers, on a timely basis, and (iii) have implemented that plan substantially in accordance with that timetable.

(b) Based on such review and program, (i) the Borrower reasonably believes that the Y2K issue is not reasonably likely to have a Material Adverse Effect, (ii) the Borrower reasonably anticipates that all computer applications that are material to its business and the business of its Subsidiaries will on a timely basis be able to perform properly date-sensitive functions for all dates before and after January 1, 2000 (I.E., be "Y2K COMPLIANT"), and (iii) the Borrower reasonably believes that each of such key suppliers, vendors and customers will on a timely basis be Y2K compliant in all material respects which

affect the Borrower or any of its Subsidiaries.

7.18. EXISTING INDEBTEDNESS. Annex III sets forth a true and complete list, as of the date or dates set forth therein, of all Indebtedness of the Borrower and each of its Subsidiaries, on a consolidated basis, which (i) has an outstanding principal amount of at least \$500,000, or may be incurred pursuant to existing commitments or lines of credit, or (ii) is secured by any Lien on any property of the Borrower or any Subsidiary, and which will be outstanding on the Closing Date after giving effect to any Borrowing hereunder which is expected to be made on the Closing Date, other than the Indebtedness created under the Credit Documents (all such Indebtedness, whether or

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not in a principal amount meeting such threshold and required to be so listed on Annex III, herein the "EXISTING INDEBTEDNESS"). The Borrower has provided to the Administrative Agent prior to the date of execution hereof true and complete copies (or summary descriptions contained in Annex III in the case of Existing Indebtedness of Foreign Subsidiaries) of all agreements and instruments governing the Indebtedness listed on Annex III (the "EXISTING INDEBTEDNESS AGREEMENTS").

7.19. INVESTMENT COMPANY ACT, ETC. Neither the Borrower nor any of its Subsidiaries is subject to regulation with respect to the creation or incurrence of Indebtedness under the Investment Borrower Act of 1940, as amended, the Interstate Commerce Act, as amended, the Federal Power Act, as amended, the Public Utility Holding Company Act of 1935, as amended, or any applicable state public utility law.

7.20. SECURITY INTERESTS. Once executed and delivered, and until terminated in accordance with the terms thereof, each of the Security Documents creates, as security for the obligations purported to be secured thereby, a valid and enforceable perfected security interest in and Lien on all of the Collateral subject thereto from time to time, in favor of the Collateral Agent for the benefit of the Secured Creditors referred to in the Security Documents, superior to and prior to the rights of all third persons and subject to no other Liens (except that the Collateral under the Security Agreement may be subject to Permitted Liens). No filings or recordings are required in order to perfect the security interests created under any Security Document except for filings or recordings required in connection with any such Security Document which shall have been made, or for which satisfactory arrangements have been made, upon or prior to the execution and delivery thereof. All recording, stamp, intangible or other similar taxes required to be paid by any person under applicable legal requirements or other laws applicable to the property encumbered by the Security Documents in connection with the execution, delivery, recordation, filing, registration, perfection or enforcement thereof have been paid.

7.21. TRUE AND COMPLETE DISCLOSURE. All factual information (taken as a whole) heretofore or contemporaneously furnished by or on behalf of the Borrower or any of its Subsidiaries in writing to the Administrative Agent or any Lender for purposes of or in connection with this Agreement or any transaction contemplated herein, other than the Financial Projections (as to which representations are made only as provided in section 7.8), is, and all other such factual information (taken as a whole) hereafter furnished by or on behalf of such person in writing to any Lender will be, true and accurate in all material respects on the date as of which such information is dated or certified and not incomplete 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, except that any such future information consisting of financial projections prepared by management of the Borrower is only represented herein as being based on good faith estimates and assumptions believed by such persons to be reasonable at the time made. The Lenders recognize that such projections as to future events are not to be viewed as facts and that actual results during the period or periods covered by any such projections may differ materially from the projected results. As of the Effective Date, there is no fact known to the Borrower or any of its Subsidiaries which has, or could reasonably be expected to have, a Material Adverse Effect which has not theretofore been disclosed in writing to the Lenders.

SECTION 8. AFFIRMATIVE COVENANTS.

The Borrower hereby covenants and agrees that so long as this Agreement is in effect and until such time as the Total Commitment has been terminated, no Notes or Letters of Credit are outstanding and the Loans, together with interest, Fees and all other Obligations hereunder, have been paid in full:

8.1. REPORTING REQUIREMENTS. The Borrower will furnish to each Lender and the Administrative Agent:

(a) ANNUAL FINANCIAL STATEMENTS. As soon as available and in any event within 100 days after the close of each fiscal year of the Borrower, the consolidated balance sheet of the Borrower and its consolidated Subsidiaries as at the end of such fiscal year and the related consolidated statements of income,

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of stockholders' equity and of cash flows for such fiscal year, in each case setting forth comparative figures for the preceding fiscal year, all in reasonable detail and accompanied by the opinion with respect to such consolidated financial statements of independent public accountants of recognized national standing selected by the Borrower, which opinion shall be unqualified and shall (i) state that such accountants audited such consolidated financial statements in accordance with generally accepted auditing standards, that such accountants believe that such audit provides a reasonable basis for their opinion, and that in their opinion such consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Borrower and its consolidated subsidiaries as at the end of such fiscal year and the consolidated results of their operations and cash flows for such fiscal year in conformity with generally accepted accounting principles, or (ii) contain such statements as are customarily included in unqualified reports of independent accountants in conformity with the recommendations and requirements of the American Institute of Certified Public Accountants (or any successor organization).

(b) QUARTERLY FINANCIAL STATEMENTS. As soon as available and in any event within 60 days after the close of each of the quarterly accounting periods in each fiscal year of the Borrower, the unaudited consolidated balance sheet of the Borrower and its consolidated Subsidiaries as at the end of such quarterly period and the related unaudited consolidated statements of income and of cash flows for such quarterly period and/or for the fiscal year to date, and setting forth, in the case of such unaudited consolidated statements of income and of cash flows, comparative figures for the related periods in the prior fiscal year, and which shall be certified on behalf of the Borrower by its chief financial or accounting officer or other Authorized Officer of the Borrower, subject to changes resulting from normal year-end audit adjustments.

(c) OFFICER'S COMPLIANCE CERTIFICATES. At the time of the delivery of the financial statements provided for in sections 8.1(a) and (b), a certificate on behalf of the Borrower by its chief financial or accounting officer or other Authorized Officer of the Borrower to the effect that, to the best knowledge of the Borrower, no Default or Event of Default exists or, if any Default or Event of Default does exist, specifying the nature and extent thereof and the actions the Borrower proposes to take with respect thereto, which certificate shall set forth the calculations required to establish compliance with the provisions of sections 9.7, 9.8, 9.9, 9.10 and 9.11 of this Agreement.

(d) BUDGETS AND FORECASTS. Promptly following the preparation and approval thereof by senior management of the Borrower and in any event not later than 30 days prior to the commencement of each fiscal year, a consolidated forecasted budget in reasonable detail for such fiscal year, and (if and to the extent prepared by management of the

Borrower) for any subsequent fiscal years, in the form customarily prepared by management of the Borrower for its internal use.

(e) NOTICE OF DEFAULT, LITIGATION OR CERTAIN MATTERS INVOLVING MAJOR CUSTOMERS OR SUPPLIERS. Promptly, and in any event within three Business Days, in the case of clause (i) below, or five Business Days, in the case of clause (ii) or (iii) below, after the Borrower or any of its Subsidiaries obtains knowledge thereof, notice of

(i) the occurrence of any event which constitutes a Default or Event of Default, which notice shall specify the nature thereof, the period of existence thereof and what action the Borrower proposes to take with respect thereto,

(ii) any litigation or governmental or regulatory proceeding pending against the Borrower or any of its Subsidiaries which is likely to have a Material Adverse Effect, and

(iii) any significant adverse change (in the Borrower's reasonable judgment) in the Borrower's or any Subsidiary's relationship with, or any significant event or circumstance which is in the Borrower's reasonable judgment likely to adversely affect the Borrower's or any Subsidiary's relationship with, (A) any customer (or related group of customers) representing more than 10% of the Borrower's consolidated revenues during its most recent fiscal year, or (B) any

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supplier which is material to the operations of the Borrower and its Subsidiaries considered as an entirety.

(f) ERISA. Promptly, and in any event within 10 days after the Borrower, any Subsidiary of the Borrower or any ERISA Affiliate knows of the occurrence of any of the following, the Borrower will deliver to each of the Lenders a certificate on behalf of the Borrower of an Authorized Officer of the Borrower setting forth the full details as to such occurrence and the action, if any, that the Borrower, such Subsidiary or such ERISA Affiliate is required or proposes to take, together with any notices required or proposed to be given to or filed with or by the Borrower, the Subsidiary, the ERISA Affiliate, the PBGC, a Plan participant or the Plan administrator with respect thereto:

(i) that a Reportable Event has occurred with respect to any Plan;

(ii) the institution of any steps by the Borrower, any ERISA Affiliate, the PBGC or any other person to terminate any Plan;

(iii) the institution of any steps by the Borrower or any ERISA Affiliate to withdraw from any Plan;

(iv) the institution of any steps by the Borrower or any Subsidiary to withdraw from any Multiemployer Plan or Multiple Employer Plan, if such withdrawal could result in withdrawal liability (as described in Part 1 of Subtitle E of Title IV of ERISA) in excess of \$2,000,000;

(v) a non-exempt "prohibited transaction" within the meaning of section 406 of ERISA in connection with any Plan;

(vi) that a Plan which is subject to the minimum funding requirements of ERISA has an Unfunded Current Liability exceeding \$5,000,000;

(vii) any material increase in the contingent liability of the Borrower or any Subsidiary with respect to

any post-retirement welfare liability; or

(viii) the taking of any action by, or the threatening of the taking of any action by, the Internal Revenue Service, the Department of Labor or the PBGC with respect to any of the foregoing.

(g) ENVIRONMENTAL MATTERS. Promptly upon, and in any event within 10 Business Days after, an officer of the Borrower or any of its Subsidiaries obtains knowledge thereof, notice of one or more of the following environmental matters: (i) any pending or threatened material Environmental Claim against the Borrower or any of its Subsidiaries or any Real Property owned or operated by the Borrower or any of its Subsidiaries; (ii) any condition or occurrence on or arising from any Real Property owned or operated by the Borrower or any of its Subsidiaries that (A) results in material noncompliance by the Borrower or any of its Subsidiaries with any applicable Environmental Law or (B) would reasonably be expected to form the basis of a material Environmental Claim against the Borrower or any of its Subsidiaries or any such Real Property; (iii) any condition or occurrence on any Real Property owned, leased or operated by the Borrower or any of its Subsidiaries that could reasonably be expected to cause such Real Property to be subject to any material restrictions on the ownership, occupancy, use or transferability by the Borrower or any of its Subsidiaries of such Real Property under any Environmental Law; and (iv) the taking of any material removal or remedial action in response to the actual or alleged presence of any Hazardous Material on any Real Property owned, leased or operated by the Borrower or any of its Subsidiaries as required by any Environmental Law or any governmental or other administrative agency. All such notices shall describe in reasonable detail the nature of the Environmental Claim and the Borrower's or such Subsidiary's response thereto.

(h) SEC REPORTS AND REGISTRATION STATEMENTS. Promptly upon transmission thereof or other filing with the SEC, copies of all registration statements (other than the exhibits thereto and any registration statement on Form S-8 or its equivalent) and annual, quarterly or current reports that the Borrower or any of its Subsidiaries files with the SEC.

(i) OTHER INFORMATION. With reasonable promptness, such other information or documents (financial or otherwise) relating to the Borrower or any of its Subsidiaries as any Lender may reasonably request from time to time.

8.2. BOOKS, RECORDS AND INSPECTIONS. The Borrower will, and will cause each of its Subsidiaries to, (i) keep proper books of record and account, in which full and correct entries shall be made of all financial transactions and the assets and business of the Borrower or such Subsidiaries, as the case may be, in accordance with GAAP; and (ii) permit, upon at least three Business Days' notice (or upon at least one Business Days' notice, if an Event of Default is then continuing) to the chief financial officer of the Borrower, officers and designated representatives of the Administrative Agent or any of the Lenders to visit and inspect any of the properties or assets of the Borrower and any of its Subsidiaries in whomsoever's possession (but only to the extent the Borrower or such Subsidiary has the right to do so to the extent in the possession of another person), to examine the books of account of the Borrower and any of its Subsidiaries, and make copies thereof and take extracts therefrom, and to discuss the affairs, finances and accounts of the Borrower and of any of its Subsidiaries with, and be advised as to the same by, its and their officers and independent accountants and independent actuaries, if any, all at such reasonable times and intervals and to such reasonable extent as the Administrative Agent or any of the Lenders may request.

8.3. INSURANCE. (a) The Borrower will, and will cause each of its Subsidiaries to, (i) maintain insurance coverage by such insurers and in such forms and amounts and against such risks as are generally consistent with the

insurance coverage maintained by the Borrower and its Subsidiaries at the date hereof, and (ii) forthwith upon any Lender's written request, furnish to such Lender such information about such insurance as such Lender may from time to time reasonably request, which information shall be prepared in form and detail satisfactory to such Lender and certified by an Authorized Officer of the Borrower.

(b) The Borrower will, and will cause each of its Subsidiaries which is a Credit Party to, at all times keep their respective property which is subject to the Lien of any Security Document insured in favor of the Collateral Agent, and all policies or certificates (or certified copies thereof) with respect to such insurance (and any other insurance maintained by the Borrower or any such Subsidiary) (i) shall be endorsed to the Collateral Agent's satisfaction for the benefit of the Collateral Agent (including, without limitation, by naming the Collateral Agent as loss payee (with respect to Collateral) or, to the extent permitted by applicable law, as an additional insured), (ii) shall state that such insurance policies shall not be canceled without 30 days' prior written notice thereof (or 10 days' prior written notice in the case of cancellation for the non-payment of premiums) by the respective insurer to the Collateral Agent, (iii) shall provide that the respective insurers irrevocably waive any and all rights of subrogation with respect to the Collateral Agent and the Lenders, and (iv) shall in the case of any such certificates or endorsements in favor of the Collateral Agent, be delivered to or deposited with the Collateral Agent. In no event shall the Borrower be required to deposit the actual insurance policies with the Collateral Agent. The Administrative Agent shall deliver copies of any certificates of insurance to a Lender upon such Lender's request.

(c) If the Borrower or any of its Subsidiaries shall fail to maintain all insurance in accordance with this section 8.3, or if the Borrower or any of its Subsidiaries shall fail to so endorse and deliver or deposit all endorsements or certificates with respect thereto, the Administrative Agent and/or the Collateral Agent shall have the right (but shall be under no obligation), upon prior notice to the Borrower, to procure such insurance and the Borrower agrees to reimburse the Administrative Agent or the Collateral Agent, as the case may be, on demand, for all costs and expenses of procuring such insurance.

8.4. PAYMENT OF TAXES AND CLAIMS. The Borrower will pay and discharge, and will cause each of its Subsidiaries to pay and discharge, all taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits, or upon any properties belonging to it, prior to the date on which penalties attach thereto, and all lawful claims which, if unpaid, might become a Lien or charge upon any properties of the Borrower or any of

its Subsidiaries; PROVIDED that neither the Borrower nor any of its Subsidiaries shall be required to pay any such tax, assessment, charge, levy or claim which is being contested in good faith and by proper proceedings if it has maintained adequate reserves with respect thereto in accordance with GAAP; and PROVIDED, FURTHER, that the Borrower will not be considered to be in default of any of the provisions of this sentence if the Borrower or any Subsidiary fails to pay any such amount which, individually or in the aggregate, is immaterial. Without limiting the generality of the foregoing, the Borrower will, and will cause each of its Subsidiaries to, pay in full all of its wage obligations to its employees in accordance with the Fair Labor Standards Act (29 U.S.C. sections 206-207) and any comparable provisions of applicable law.

8.5. CORPORATE FRANCHISES. The Borrower will do, and will cause each of its Subsidiaries to do, or cause to be done, all things necessary to preserve and keep in full force and effect its corporate existence, rights and authority, PROVIDED that any transaction permitted by section 9.2 will not constitute a breach of this section 8.5.

8.6. GOOD REPAIR. The Borrower will, and will cause each of its Subsidiaries to, ensure that its material properties and equipment used or useful in its business in whomsoever's possession they may be, are kept in good repair, working order and condition, normal wear and tear excepted, and that from time to time there are made in such properties and equipment all needful and proper repairs, renewals, replacements, extensions, additions, betterments

and improvements, thereto, to the extent and in the manner customary for companies in similar businesses.

8.7. COMPLIANCE WITH STATUTES, ETC. The Borrower will, and will cause each of its Subsidiaries to, comply, in all material respects, with all applicable statutes, regulations and orders of, and all applicable restrictions imposed by, all governmental bodies, domestic or foreign, in respect of the conduct of its business and the ownership of its property, other than those the noncompliance with which would not have, and which would not be reasonably expected to have, a Material Adverse Effect.

8.8. COMPLIANCE WITH ENVIRONMENTAL LAWS. Without limitation of the covenants contained in section 8.7, the Borrower will comply, and will cause each of its Subsidiaries to comply, in all material respects, with all Environmental Laws applicable to the ownership, lease or use of all Real Property now or hereafter owned, leased or operated by the Borrower or any of its Subsidiaries, will promptly pay or cause to be paid all costs and expenses incurred in connection with such compliance, and will keep or cause to be kept all such Real Property free and clear of any Liens imposed pursuant to such Environmental Laws which are not permitted under section 9.3. Neither the Borrower nor any of its Subsidiaries will generate, use, treat, store, release or dispose of, or permit the generation, use, treatment, storage, release or disposal of, Hazardous Materials on any Real Property now or hereafter owned, leased or operated by the Borrower or any of its Subsidiaries or transport or permit the transportation of Hazardous Materials to or from any such Real Property other than in compliance with applicable Environmental Laws and in the ordinary course of business, except for such noncompliance as would not have, and which would not be reasonably expected to have, a Material Adverse Effect. If required to do so under any applicable order of any governmental agency, the Borrower will undertake, and cause each of its Subsidiaries to undertake, any clean up, removal, remedial or other action necessary to remove and clean up any Hazardous Materials from any Real Property owned, leased or operated by the Borrower or any of its Subsidiaries in accordance with, in all material respects, the requirements of all applicable Environmental Laws and in accordance with, in all material respects, such orders of all governmental authorities, except to the extent that the Borrower or such Subsidiary is contesting such order in good faith and by appropriate proceedings and for which adequate reserves have been established to the extent required by GAAP.

8.9. FISCAL YEARS, FISCAL QUARTERS. If the Borrower shall change any of its or any of its Subsidiaries' fiscal years or fiscal quarters (other than the fiscal year or fiscal quarters of a person which becomes a Subsidiary, made at the time such person becomes a Subsidiary to conform to the Borrower's (or such Subsidiary's immediate parent's) fiscal year and fiscal quarters), the Borrower will promptly, and in any event within 30 days following any such change, deliver a notice to the Administrative Agent and the Lenders describing such change and any material accounting entries made in connection therewith and stating whether such change will have any impact upon any financial computations to be made hereunder, and if any such impact is foreseen, describing in reasonable detail the nature and extent of such impact; PROVIDED that the Borrower may omit to give any such notice relating to a change

in the fiscal year or fiscal quarters of a Foreign Subsidiary if such change will not have any material impact upon any financial computations to be made hereunder. If the Required Lenders determine that any such change notified by the Borrower will have any impact upon any financial computations to be made hereunder which is adverse to the Lenders, the Borrower will, if so requested by the Administrative Agent, enter into an amendment to this Agreement, in form and substance satisfactory to the Administrative Agent and the Required Lenders, modifying any of the financial covenants or related provisions hereof in such manner as the Required Lenders determine is necessary to eliminate such adverse effect.

8.10. CERTAIN SUBSIDIARIES TO GUARANTEE OBLIGATIONS. (a) In the event that at any time after the Effective Date, the Borrower has any Domestic Subsidiary which is a Material Subsidiary (other than MARTA Technologies, Inc., UNLESS either (x) such Subsidiary shall continue as a Subsidiary but shall no longer be treated under GAAP as a discontinued operation, or (y) the Required

Lenders require that such Subsidiary be subject to this section 8.10(a)), the Borrower will promptly, and in any event within 30 days following any date when such circumstances exist, notify the Administrative Agent in writing of such circumstances, identifying the Domestic Subsidiary or Subsidiaries in question and referring specifically to the rights of the Administrative Agent and the Lenders under this section 8.10.

(b) The Borrower represents and warrants that as of the Effective Date it has no Domestic Subsidiary which is a Material Subsidiary (other than MARTA Technologies, Inc.).

(c) If at any time when the circumstances described in section 8.10(a) exist, the Administrative Agent requests the Borrower in writing to do so (the Administrative Agent may give such request on its own initiative or upon request by the Required Lenders), the Borrower will promptly and in any event within 10 days following receipt by it of such request from the Administrative Agent, cause each such Domestic Subsidiary which is a Material Subsidiary to deliver to the Administrative Agent, in sufficient quantities for the Lenders, (i) a guaranty (a "GUARANTY") of all of the Obligations (and, if required by the terms thereof or any consents, waivers or amendments obtained in connection therewith, any other Indebtedness of the Borrower and its Domestic Subsidiaries on a PARI PASSU basis), satisfactory in form and substance to the Administrative Agent and the Required Lenders, duly executed by each such Subsidiary, and (ii) if such Subsidiary is a corporation, resolutions of the Board of Directors of such Subsidiary, certified by the Secretary or an Assistant Secretary of such Subsidiary as duly adopted and in full force and effect, authorizing the execution and delivery of such guaranty, or if such Subsidiary is not a corporation, such other evidence of the authority of such Subsidiary to execute such guaranty as the Administrative Agent may reasonably request; PROVIDED, HOWEVER, that the Borrower may, upon prior written notice to the Administrative Agent, defer compliance with the foregoing requirement for a period of up to 30 days to the extent necessary in order to

(A) obtain any consents, waivers or amendments of any documents evidencing or governing any Indebtedness of the Borrower or any of its Subsidiaries (other than the Obligations) which may be required in order for any Domestic Subsidiary which is a Material Subsidiary to guarantee the Obligations (and, if required, any other Indebtedness of the Borrower and its Domestic Subsidiaries on a PARI PASSU basis) without causing an event of default under such Indebtedness; and/or

(B) prepay in full all Indebtedness as to which such consents, waivers or amendments have not been so obtained, so as to eliminate any necessity for obtaining same in order to provide the guaranty referred to above and avoid an event of default under any such Indebtedness.

8.11. ADDITIONAL COLLATERAL; FURTHER ASSURANCES. (a) In the event that at any time after the Closing Date the Borrower or any of its Subsidiaries has any Material Subsidiary (other than MARTA Technologies, Inc., UNLESS either (x) such Subsidiary shall continue as a Subsidiary but shall no longer be treated under GAAP as a discontinued operation, or (y) the Required Lenders require that such Subsidiary be subject to this section 8.11(a)), the Borrower will promptly, and in any event within 30 days after the person becomes such a Material Subsidiary, notify the Administrative Agent thereof and of the rights of the Administrative Agent and the Lenders under this section 8.11(a). If requested by the Administrative Agent or the Required Lenders, the Borrower will, or will cause the Subsidiary which owns the capital stock or other equity interests in such person which has become such a

Subsidiary to, join in the Pledge Agreement, or in the case of a person which is a Foreign Subsidiary, enter into a pledge agreement, acceptable in form and substance to the Collateral Agent and conforming to the requirements of law of the jurisdiction in which such Foreign Subsidiary is organized, and pledge or cause to be pledged to the Collateral Agent all (or at least 65%, in the case of any such person which is a Foreign Subsidiary) of the capital stock and other equity interests in such person (and any other Collateral of the nature described in the Pledge Agreement) which are owned by the Borrower or any

Subsidiary, as the case may be, to the Collateral Agent, for the benefit of the Secured Creditors (as defined in the Pledge Agreement). Notwithstanding the foregoing, the Borrower shall not be required to cause to be pledged any of the stock or other equity interests in any Foreign Subsidiary which is not a first tier Foreign Subsidiary of the Borrower.

(b) In the event that at any time after the Closing Date the Borrower or any of its Subsidiaries has any Domestic Subsidiary which is a Material Subsidiary (other than MARTA Technologies, Inc., UNLESS either (x) such Subsidiary shall continue as a Subsidiary but shall no longer be treated under GAAP as a discontinued operation, or (y) the Required Lenders require that such Subsidiary be subject to this section 8.11(b)), which is not a party to the Security Agreement, the Borrower will promptly, and in any event within 30 days after the person becomes such a Subsidiary, notify the Administrative Agent thereof and of the rights of the Administrative Agent and the Lenders under this section 8.11(b). If requested by the Administrative Agent or the Required Lenders, the Borrower will cause such Subsidiary to join in the Security Agreement as an Assignor thereunder.

(c) The Borrower will if requested by any Lender at any time, in order to meet any legal requirement applicable to such Lender, provide to the Collateral Agent and the Lenders, at the sole cost and expense of the Borrower, appraisals and other supporting documentation relating to any Mortgage, as specified by any Lender, meeting the appraisal and other documentation requirements of the Real Estate Reform Amendments of the Financial Institution Reform, Recovery and Enforcement Act of 1989, as amended, or any other legal requirements applicable to any Lender, which in the case of any such appraisal shall be prepared by one or more valuation firms of national standing, acceptable to the Required Lenders, utilizing appraisal standards satisfying such Amendments, Act or other legal requirements.

(d) The Borrower will, and will cause each of its Subsidiaries to, at the expense of the Borrower, make, execute, endorse, acknowledge, file and/or deliver to the Collateral Agent from time to time such conveyances, financing statements, transfer endorsements, stock powers, powers of attorney, certificates, and other assurances or instruments and take such further steps relating to the Collateral covered by any of the Security Documents as the Collateral Agent may reasonably require. Furthermore, the Borrower shall cause to be delivered to the Collateral Agent such opinions of local counsel as may be reasonably requested by the Administrative Agent or the Collateral Agent in connection with the perfection of the Liens of any Security Documents in any jurisdiction outside the United States.

8.12. MOST FAVORED COVENANT STATUS. Should the Borrower at any time after the Effective Date, issue or guarantee any unsecured Indebtedness denominated in U.S. dollars for money borrowed or represented by bonds, notes, debentures or similar securities in an aggregate amount exceeding \$10,000,000, to any lender or group of lenders acting in concert with one another, or one or more institutional investors, pursuant to a loan agreement, credit agreement, note purchase agreement, indenture, guaranty or other similar instrument, which agreement, indenture, guaranty or instrument, includes affirmative or negative business or financial covenants (or any events of default or other type of restriction which would have the practical effect of any affirmative or negative business or financial covenant, including, without limitation, any "put" or mandatory prepayment of such Indebtedness upon the occurrence of a "change of control") which are applicable to the Borrower, other than those set forth herein or in any of the other Credit Documents, the Borrower shall promptly so notify the Administrative Agent and the Lenders and, if the Administrative Agent shall so request by written notice to the Borrower (after a determination has been made by the Required Lenders that any of the above-referenced documents or instruments contain any such provisions, which either individually or in the aggregate, are more favorable to the holders of such unsecured Indebtedness than any of the provisions set forth herein), the Borrower, the Administrative Agent and the Lenders shall promptly amend this Agreement to incorporate some or all of such provisions, in the discretion of the Administrative Agent and the Required Lenders, into this Agreement and, to the extent necessary and reasonably

desirable to the Administrative Agent and the Required Lenders, into any of the other Credit Documents, all at the election of the Administrative Agent and the Required Lenders.

8.13. HEDGE AGREEMENTS, ETC. The Borrower will, and will cause each of its Subsidiaries to, enter into Hedge Agreements (i) in order to provide protection to the Borrower or any such Subsidiary from fluctuations and other changes in interest rates and currency exchange rates, as and to the extent considered reasonably necessary by the Borrower, but without exposing the Borrower or its Subsidiaries to predominantly speculative risks unrelated to the amount of assets, Indebtedness or other liabilities intended to be subject to coverage on a notional basis under all such Hedge Agreements; and (ii) in the case of any Hedge Agreement entered into after the Effective Date, only if the proposed form thereof (including any proposed pricing or other material terms) has been provided to the Administrative Agent contemporaneously with the entry into such Hedge Agreement.

8.14. CASUALTY AND CONDEMNATION. (a) The Borrower will promptly (and in any event within 10 days) furnish to the Administrative Agent and the Lenders written notice of any Event of Loss involving any property included in the Collateral which is reasonably believed to be in excess of \$5,000,000.

(b) If any Event of Loss results in Net Proceeds (whether in the form of insurance proceeds, a condemnation award or otherwise), a portion or all of which is required to be applied as a prepayment of the Loans pursuant to section 5.2, the Collateral Agent is authorized to collect such Net Proceeds and, if received by any Credit Party, the Borrower will, or will cause any applicable Credit Party, to pay over such Net Proceeds to the Collateral Agent.

8.15. SENIOR DEBT. The Borrower will at all times ensure that (a) the claims of the Lenders in respect of the Obligations of the Borrower will not be subordinate to, and will in all respects rank PARI PASSU with, the claims of the holders of the Senior Notes, and (b) any Indebtedness subordinated in any manner to the claims of any other senior unsecured creditor of the Borrower will be subordinated in like manner to such claims of the Lenders.

SECTION 9. NEGATIVE COVENANTS.

The Borrower hereby covenants and agrees that on the Effective Date and thereafter for so long as this Agreement is in effect and until such time as the Total Commitment has been terminated, no Notes or Letters of Credit remain outstanding and the Loans, together with interest, Fees and all other Obligations incurred hereunder are paid in full:

9.1. CHANGES IN BUSINESS. Neither the Borrower nor any of its Subsidiaries will engage in any business if, as a result, the general nature of the business, taken on a consolidated basis, which would then be engaged in by the Borrower and its Subsidiaries, would be substantially changed from the general nature of the business engaged in by the Borrower and its Subsidiaries on the date hereof.

9.2. CONSOLIDATION, MERGER, ACQUISITIONS, ASSET SALES, ETC. The Borrower will not, and will not permit any Subsidiary to, (1) wind up, liquidate or dissolve its affairs, (2) enter into any transaction of merger or consolidation, (3) make or otherwise effect any Acquisition, (4) sell or otherwise dispose of any of its property or assets outside the ordinary course of business, or otherwise make or otherwise effect any Asset Sale, or (5) agree to do any of the foregoing at any future time, EXCEPT that the following shall be permitted:

(a) CERTAIN INTERCOMPANY MERGERS, ETC. If no Default or Event of Default shall have occurred and be continuing or would result therefrom, (i) the merger, consolidation or amalgamation of any Wholly-Owned Subsidiary with or into the Borrower or another Wholly-Owned Subsidiary, so long as in any merger, consolidation or amalgamation involving the Borrower, the Borrower is the surviving or continuing or resulting corporation, (ii) the liquidation or dissolution of any Wholly-Owned Subsidiary of the Borrower, and (iii) the transfer or other disposition of any property by the Borrower to any Wholly-Owned Subsidiary or by any Wholly-Owned Subsidiary to the Borrower or any other Wholly-Owned Subsidiary of the Borrower, shall each be permitted.

(b) OTHER MERGERS, ETC. INVOLVING THE BORROWER. The Borrower may consolidate or merge with any other corporation, or sell, transfer or otherwise dispose of all or substantially all of the property and assets of the Borrower and its Subsidiaries to any person, if (i) the surviving, continuing or resulting corporation of such merger or consolidation (if other than the Borrower) or the acquiring person unconditionally assumes the obligations of the Borrower under the Credit Documents pursuant to an assumption agreement in form and substance reasonably satisfactory to the Required Lenders, (ii) no Event of Default has occurred and is continuing or would result therefrom, and (iii) no Change of Control would be occasioned thereby.

(c) PERMITTED ACQUISITIONS. If no Default or Event of Default shall have occurred and be continuing or would result therefrom, the Borrower or any Subsidiary may make any Acquisition which is a Permitted Acquisition, PROVIDED that all of the requirements contained in the definition of the term Permitted Acquisition are satisfied.

(d) PERMITTED DISPOSITIONS. If no Default or Event of Default shall have occurred and be continuing or would result therefrom, the Borrower or any of its Subsidiaries may (i) sell any property, land or building (including any related receivables or other intangible assets) to any person which is not a Subsidiary of the Borrower, or (ii) sell the entire capital stock (or other equity interests) and Indebtedness of any Subsidiary owned by the Borrower or any other Subsidiary to any person which is not a Subsidiary of the Borrower, or (iii) permit any Subsidiary to be merged or consolidated with a person which is not an Affiliate of the Borrower, or (iv) consummate any other Asset Sale with a person who is not a Subsidiary of the Borrower; PROVIDED that:

(A) the consideration for such transaction represents fair value (as determined by management of the Borrower);

(B) both (1) the cumulative aggregate consideration for all such transactions completed after September 30, 1998 does not exceed an amount equal to 15% of the Borrower's Consolidated Total Assets as of the end of the most recent fiscal year prior thereto for which financial statements have been delivered to the Lenders hereunder; and (2) the aggregate consideration for all such transactions completed during the then current fiscal year does not exceed an amount equal to 10% of the Borrower's Consolidated Total Assets as of the commencement of such fiscal year; PROVIDED, HOWEVER, that there shall be excluded from computations under this clause (B) the aggregate consideration for any disposition of MARTA Technologies, Inc. (or its assets);

(C) in the case of any such transaction involving consideration in excess of \$10,000,000, at least five Business Days prior to the date of completion of such transaction the Borrower shall have delivered to the Administrative Agent an officer's certificate executed on behalf of the Borrower by an Authorized Officer of the Borrower, which certificate shall contain (1) a description of the proposed transaction, the date such transaction is scheduled to be consummated, the estimated purchase price or other consideration for such transaction, (2) financial information pertaining to compliance with the preceding clauses (A) and (B), (3) a certification that no Default or Event of Default has occurred and is continuing, or would result from consummation of such transaction, and (4) which shall (if requested by the Administrative Agent) include a certified copy of the draft or definitive documentation pertaining thereto; and

(D) no sale or other disposition of any Mortgaged Property shall be made to any person under any circumstances, UNLESS all of the Lenders otherwise agree in writing.

(e) LEASES. The Borrower or any of its Subsidiaries may enter into leases of property or assets not constituting Acquisitions or Asset Sales, PROVIDED such leases are not otherwise in violation of this Agreement.

(f) CAPITAL EXPENDITURES: The Borrower and its Subsidiaries shall be permitted to make any Consolidated Capital Expenditures which will not result in a violation of this Agreement.

(g) PERMITTED INVESTMENTS. The Borrower and its Subsidiaries shall be permitted to make the investments permitted pursuant to section 9.5.

To the extent the Required Lenders (or all of the Lenders as shall be required by section 12.12) waive the provisions of this section 9.2 with respect to the sale, transfer or other disposition of any Collateral, or any Collateral is sold, transferred or disposed of as permitted by this section 9.2, (i) such Collateral shall be sold, transferred or disposed of free and clear of the Liens created by the respective Security Documents; (ii) if such Collateral includes all of the capital stock of a Subsidiary which is a party to a Guaranty entered into pursuant to section 8.10 or any Security Document, or whose capital stock is pledged under a Security Document, such capital stock shall be released from the Security Documents and such Subsidiary shall be released from such Guaranty; and (iii) the Administrative Agent and the Collateral Agent are hereby authorized to take actions deemed appropriate by them in order to effectuate the foregoing.

9.3. LIENS. The Borrower will not, and will not permit any of its Subsidiaries to, create, incur, assume or suffer to exist any Lien upon or with respect to any property or assets of any kind (real or personal, tangible or intangible) of the Borrower or any such Subsidiary whether now owned or hereafter acquired, or sell any such property or assets subject to an understanding or agreement, contingent or otherwise, to repurchase such property or assets (including sales of accounts receivable or notes with or without recourse to the Borrower or any of its Subsidiaries, other than for purposes of collection of delinquent accounts in the ordinary course of business) or assign any right to receive income, or file or permit the filing of any financing statement under the UCC or any other similar notice of Lien under any similar recording or notice statute, EXCEPT that the foregoing restrictions shall not apply to:

(a) STANDARD PERMITTED LIENS: the Standard Permitted Liens;

(b) EXISTING LIENS, ETC.: Liens (i) in existence on the Effective Date which are listed, and the Indebtedness secured thereby and the property subject thereto on the Effective Date described, in Annex IV, or (ii) arising out of the refinancing, extension, renewal or refunding of any Indebtedness secured by any such Liens, PROVIDED that the principal amount of such Indebtedness is not increased and such Indebtedness is not secured by any additional assets; and

(c) PURCHASE MONEY LIENS AND LIENS ON ACQUIRED PROPERTIES: Liens which

(i) are placed upon equipment or machinery or improvements to Real Property (including the associated Real Property) used in the ordinary course of business of the Borrower or any Subsidiary at the time of (or within 180 days after) the acquisition of such equipment or machinery or the completion of such improvements by the Borrower or any such Subsidiary to secure Indebtedness incurred to pay or finance all or a portion of the purchase price or other cost thereof, PROVIDED that the Lien encumbering the equipment or machinery so acquired or the Real Property so improved does not encumber any other asset of the Borrower or any such Subsidiary; or

(ii) are existing on property or other assets at the

time acquired by the Borrower or any Subsidiary or on assets of a person at the time such person first becomes a Subsidiary of the Borrower; PROVIDED that (A) any such Liens were not created at the time of or in contemplation of the acquisition of such assets or person by the Borrower or any of its Subsidiaries; (B) in the case of any such acquisition of a person, any such Lien attaches only to the property and assets of such person; and (C) in the case of any such acquisition of property or assets by the Borrower or any Subsidiary, any such Lien attaches only to the property and assets so acquired and not to any other property or assets of the Borrower or any Subsidiary;

PROVIDED that (1) the Indebtedness secured by any such Lien does not exceed 100% of the fair market value of the property and assets to which such Lien attaches, determined at the time of the acquisition or improvement of such property or asset or the time at which such person becomes a Subsidiary of the Borrower (except in the circumstances described in clause (ii) above to the extent such Liens constituted customary purchase money Liens at the time of incurrence and were entered into in the ordinary course of business), and (2) the Indebtedness secured thereby is permitted by section 9.4(c).

9.4. INDEBTEDNESS. The Borrower will not, and will not permit any of its Subsidiaries to, contract, create, incur, assume or suffer to exist any Indebtedness of the Borrower or any of its Subsidiaries, EXCEPT:

(a) CREDIT DOCUMENTS: Indebtedness incurred under this Agreement and the other Credit Documents;

(b) EXISTING INDEBTEDNESS: Existing Indebtedness; and any refinancing, extension, renewal or refunding of any such Existing Indebtedness not involving an increase in the principal amount thereof or a reduction of more than 10% in the remaining weighted average life to maturity thereof (computed in accordance with standard financial practice); PROVIDED that any Existing Indebtedness identified in Annex III or otherwise referred to in section 6.1 as being intended to be refinanced by Loans incurred hereunder or otherwise retired, may not be otherwise refinanced;

(c) PRIORITY DEBT: the following Indebtedness (collectively, "PRIORITY DEBT"):

(i) Indebtedness consisting of Capital Lease Obligations of the Borrower and its Subsidiaries,

(ii) Indebtedness secured by a Lien on any property of the Borrower or any Subsidiary, and

(iii) other Indebtedness of Subsidiaries of the Borrower (exclusive of Indebtedness owed pursuant to any of the Credit Documents or to the Borrower or a Wholly-Owned Subsidiary of the Borrower);

PROVIDED that at the time of any incurrence thereof after the date hereof, and after giving effect thereto, (A) the Borrower would be in compliance with sections 9.8 and 9.9, and no Event of Default shall have occurred and be continuing or would result therefrom; and (B) the aggregate outstanding principal amount (using Capitalized Lease Obligations in lieu of principal amount, in the case of any Capital Lease) of Priority Debt permitted by this clause (c), exclusive of the guarantees by Subsidiaries of the Borrower of the Borrower's Senior Notes, does not exceed an amount equal to 20% of the Borrower's Consolidated Net Worth as of the end of the most recent fiscal period for which financial statements have been delivered to the Lenders hereunder;

(d) INTERCOMPANY DEBT: Indebtedness of the Borrower to any of its Subsidiaries, and Indebtedness of any of the Borrower's Subsidiaries to the Borrower or to another Subsidiary of the Borrower;

(e) HEDGE AGREEMENTS: Indebtedness of the Borrower and its Subsidiaries under Hedge Agreements;

(f) GUARANTY OBLIGATIONS: any Guaranty Obligations permitted by section 9.5; and

(g) ADDITIONAL UNSECURED DEBT AND GUARANTY OBLIGATIONS: additional unsecured Indebtedness of the Borrower (including additional unsecured Guaranty Obligations of the Borrower), PROVIDED that at the time of incurrence thereof, and after giving effect thereto, (i) the Borrower would be

in compliance with sections 9.8 and 9.9; and (ii) no Event of Default shall have occurred and be continuing or would result therefrom.

9.5. ADVANCES, INVESTMENTS, LOANS AND GUARANTY OBLIGATIONS. The Borrower will not, and will not permit any of its Subsidiaries to, (1) lend money or credit or make advances to any person, (2) purchase or acquire any stock, obligations or securities of, or any other interest in, or make any capital contribution to, or other investment in, any person, (3) create, acquire or hold any Subsidiary, (4) be or become a party to any joint venture or partnership, or (5) be or become obligated under any Guaranty Obligations (other than those which may be created in favor of the Lenders pursuant to the Credit Documents), EXCEPT:

(a) the Borrower or any of its Subsidiaries may invest in cash and Cash Equivalents;

(b) any endorsement of a check or other medium of payment for deposit or collection, or any similar transaction in the normal course of business;

(c) the Borrower and its Subsidiaries may acquire and hold receivables owing to them in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;

(d) investments acquired by the Borrower or any of its Subsidiaries (i) in exchange for any other investment held by the Borrower or any such Subsidiary in connection with or as a result of a bankruptcy, workout, reorganization or recapitalization of the issuer of such other investment, or (ii) as a result of a foreclosure by the Borrower or any of its Subsidiaries with respect to any secured investment or other transfer of title with respect to any secured investment in default;

(e) loans and advances to employees for business-related travel expenses, moving expenses, costs of replacement homes, business machines or supplies, automobiles and other similar expenses, in each case incurred in the ordinary course of business, shall be permitted;

(f) existing loans, advances and investments in any Subsidiaries;

(g) to the extent not permitted by the foregoing clauses, the existing loans, advances, investments and guarantees described on Annex V hereto;

(h) investments of the Borrower and its Subsidiaries in Hedge Agreements;

(i) loans and advances by any Subsidiary of the Borrower to the Borrower, PROVIDED that the Indebtedness represented thereby constitutes Subordinated Indebtedness;

(j) loans and advances by the Borrower or any Subsidiary to, and investments by the Borrower or any Subsidiary in, any Wholly-Owned Subsidiary;

(k) the Acquisitions permitted by section 9.2; and loans, advances and investments of any person which are outstanding at the time such person becomes a Subsidiary of the Borrower as a result of an Acquisition permitted by section 9.2, but not any increase in the amount thereof; and

(l) any unsecured Guaranty Obligation incurred by the Borrower or any Subsidiary with respect to (i) Indebtedness of a Wholly-Owned Subsidiary of the Borrower which is permitted under section 9.4, or (ii) other obligations of a Wholly-Owned Subsidiary of the Borrower which are not prohibited by this Agreement;

(m) guarantees by Subsidiaries of the Borrower of the Borrower's Senior Notes, and any other Guaranty Obligations permitted under section 9.4; and

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(n) any other equity investments (whether in the form of cash or contribution of property, and if in the form of a contribution of property, such property shall be valued for purposes of this clause at the fair value thereof as reasonably determined by the Borrower), including, without limitation, in or to Subsidiaries, Affiliates, joint ventures, or other persons, not otherwise permitted by the foregoing clauses, made after the end of the most recent fiscal quarter of the Borrower for which financial statements were furnished to the Lenders prior to the Effective Date, PROVIDED that (i) at the time of making any such investment no Event of Default shall have occurred and be continuing, or would result therefrom, and (ii) the aggregate cash consideration used for all such equity investments made after September 30, 1998 does not exceed \$10,000,000.

9.6. DIVIDENDS, ETC. The Borrower will not (x) directly or indirectly declare, order, pay or make any dividend (other than dividends payable solely in capital stock of the Borrower) or other distribution on or in respect of any capital stock of any class of the Borrower, whether by reduction of capital or otherwise (collectively "DIVIDENDS"), or (y) directly or indirectly make, or permit any of its Subsidiaries to directly or indirectly make, any purchase, redemption, retirement or other acquisition of any capital stock of any class of the Borrower (other than for a consideration consisting solely of capital stock of the same class of the Borrower) or of any warrants, rights or options to acquire or any securities convertible into or exchangeable for any capital stock of the Borrower (collectively, "STOCK REPURCHASES"), UNLESS, immediately prior to and immediately after giving effect to any such action, (i) no Default under section 10.1(a) or Event of Default shall have occurred and be continuing, and (ii) the Borrower is in compliance with section 9.7.

9.7. MINIMUM CONSOLIDATED NET WORTH. The Borrower will not permit its Consolidated Net Worth at any time to be less than \$209,469,000, EXCEPT that (i) effective as of the end of the Borrower's fiscal quarter ended on or nearest to December 31, 1998, and as of the end of each fiscal quarter thereafter, the foregoing amount (as it may from time to time be adjusted as herein provided), shall be increased by 50% of the Consolidated Net Income of the Borrower for the fiscal quarter ended on such date, if any (there being no reduction in the case of any such Consolidated Net Income which reflects a deficit), (ii) the foregoing amount (as it may from time to time be adjusted as herein provided), shall be increased by an amount equal to 50% of the cash proceeds (net of underwriting discounts and commissions and other customary fees and costs associated therewith) from any sale or issuance of equity by the Borrower after June 30, 1998 (other than any sale or issuance to management or employees or employee benefit plans pursuant to employee benefit plans of general application), (iii) the foregoing amount (as it may from time to time be adjusted as herein provided), shall be increased by an amount equal to 50% of the increase in Consolidated Net Worth attributable to the issuance of common stock or other equity interests subsequent to June 30, 1998 as consideration in any Acquisitions permitted under section 9.2, and (iv) the foregoing amount (as

it may from time to time be adjusted as herein provided), shall be decreased (but not by more than a maximum of \$50,000,000) by 100% of the aggregate value of the consideration paid by the Borrower and its Subsidiaries in cash or property for Stock Repurchases after December 31, 1999.

9.8. CONSOLIDATED TOTAL DEBT/CONSOLIDATED EBITDA RATIO. The Borrower will not at any time permit the ratio of (x) the amount of its Consolidated Total Debt at such time, TO (y) its Consolidated EBITDA for its Testing Period most recently ended, to exceed (i) 3.50 to 1.00 for any Testing Period ended on or prior to the Collateral Release Date, or (ii) 2.50 to 1.00, for any Testing Period ended thereafter.

9.9. MINIMUM CONSOLIDATED EBITDA. The Borrower will not at any time permit its Consolidated EBITDA for its Testing Period most recently ended to be less than (i) \$45,000,000, for any Testing Period ended on or prior to December 31, 1998, (ii) \$36,000,000, for any Testing Period ended thereafter and on or prior to September 30, 1999, (iii) \$41,000,000, for its Testing Period ended December 31, 1999, or (iv) \$45,000,000, for any Testing Period ended thereafter.

9.10. FIXED CHARGE COVERAGE RATIO. The Borrower will not at any time permit the ratio of

(x) its Consolidated EBITDA for any Testing Period, LESS its Consolidated Capital Expenditures for such Testing Period, TO

(y) the sum of its Consolidated Interest Expense, its Consolidated Income Tax Expense and the aggregate amount expended in cash or property (other than capital stock of the Borrower which is not Redeemable Stock) for Dividends, for such Testing Period, PLUS the amount representing the current portion (determined in accordance with GAAP) of its Consolidated Total Long Term Debt as of the end of such Testing Period,

to be less than (i) 2.00 to 1.00, for any Testing Period ended on or prior to December 31, 1998, (ii) 1.50 to 1.00, for any Testing Period ended thereafter and on or prior to December 31, 1999, or (iii) 2.00 to 1.00, for any Testing Period ended thereafter; PROVIDED, that, notwithstanding the foregoing, if the Collateral Release Date shall have occurred, the Borrower will not permit such ratio to be less than 2.25 to 1.00 for any Testing Period ending after the Collateral Release Date.

9.11. MINIMUM CONSOLIDATED ADJUSTED WORKING CAPITAL RATIO. The Borrower will not at any time permit the ratio of (x) its Consolidated Adjusted Current Assets, TO (y) the excess of its Consolidated Total Liabilities over the sum of the aggregate outstanding principal amount of its Senior Notes and its IDB Debt, to be less than 1.10 to 1.00.

9.12. LIMITATION ON CERTAIN RESTRICTIVE AGREEMENTS. The Borrower will not, and will not permit any of its Subsidiaries to, directly or indirectly, enter into, incur or permit to exist or become effective, any agreement or other arrangement that prohibits, restricts or imposes any condition upon (a) the ability of the Borrower or any Subsidiary to create, incur or suffer to exist any Lien upon any of its property or assets as security for Indebtedness, or (b) the ability of any such Subsidiary to pay dividends or make any other distributions on its capital stock or any other interest or participation in its profits owned by the Borrower or any Subsidiary of the Borrower, or pay any Indebtedness owed to the Borrower or a Subsidiary of the Borrower, or to make loans or advances to the Borrower or any of the Borrower's other Subsidiaries, or transfer any of its property or assets to the Borrower or any of the Borrower's other Subsidiaries, EXCEPT for such restrictions existing under or by reason of (i) applicable law, (ii) this Agreement and the other Credit Documents, (iii) customary provisions restricting subletting or assignment of any lease governing a leasehold interest, (iv) customary provisions restricting assignment of any licensing agreement entered into in the ordinary course of business, (v) customary provisions restricting the transfer or further encumbering of assets subject to Liens permitted under section 9.3(b) or (c), (vi) restrictions contained in the Existing Indebtedness Agreements as in effect

on the Effective Date (and any similar restrictions contained in any agreement governing any refinancing or refunding thereof not prohibited by this Agreement), (vii) customary restrictions affecting only a Subsidiary of the Borrower under any agreement or instrument governing any of the Indebtedness of a Subsidiary permitted pursuant to 9.4, (viii) restrictions affecting any Foreign Subsidiary of the Borrower under any agreement or instrument governing any Indebtedness of such Foreign Subsidiary permitted pursuant to 9.4, and customary restrictions contained in "comfort" letters and guarantees of any such Indebtedness, (ix) any document relating to Indebtedness secured by a Lien permitted by section 9.3, insofar as the provisions thereof limit grants of junior liens on the assets securing such Indebtedness, and (x) any operating lease or Capital Lease, insofar as the provisions thereof limit grants of a security interest in, or other assignments of, the related leasehold interest to any other person.

9.13. TRANSACTIONS WITH AFFILIATES. The Borrower will not, and will not permit any Subsidiary to, enter into any transaction or series of transactions with any Affiliate (other than, in the case of the Borrower, any Subsidiary, and in the case of a Subsidiary, the Borrower or another Subsidiary) other than in the ordinary course of business and pursuant to the reasonable requirements of the Borrower's or such Subsidiary's business and upon fair and reasonable terms no less favorable to the Borrower or such Subsidiary than would obtain in a comparable arm's-length transaction with a person other than an Affiliate, EXCEPT (i) sales of goods to an Affiliate for use or distribution outside the United States which in the good faith judgment of the Borrower complies with any applicable legal requirements of the Code, or (ii) agreements and transactions with and payments to officers, directors and shareholders which are either (A) entered into in the ordinary course of business and not prohibited by any of the provisions of this Agreement, or (B) entered into outside the ordinary course of business, approved by the directors or shareholders of the Borrower, and not prohibited by any of the provisions of this Agreement.

9.14. PLAN TERMINATIONS, MINIMUM FUNDING, ETC. The Borrower will not, and will not permit any ERISA Affiliate to, (i) terminate any Plan or Plans so as to result in liability of the Borrower or any ERISA Affiliate to the PBGC in excess of, in the aggregate, the amount which is equal to the greater of (x) \$10,000,000, or (y) 5% of the Borrower's Consolidated Net Worth as of the date of the then most recent financial statements furnished to the Lenders pursuant to the provisions of this Agreement, (ii) permit to exist one or more events or conditions which reasonably present a material risk of the termination by the PBGC of any Plan or Plans with respect to which the Borrower or any ERISA Affiliate would, in the event of such termination, incur liability to the PBGC in excess of such amount in the aggregate, or (iii) fail to comply with the minimum funding standards of ERISA and the Code with respect to any Plan.

SECTION 10. EVENTS OF DEFAULT.

10.1. EVENTS OF DEFAULT. Any of the following specified events shall constitute an Event of Default (each an "EVENT OF DEFAULT"):

(a) PAYMENTS: the Borrower shall (i) default in the payment when due of any principal of the Loans or any reimbursement obligation in respect of any Unpaid Drawing; or (ii) default, and such default shall continue for five or more Business Days, in the payment when due of any interest on the Loans or any Fees or any other amounts owing hereunder or under any other Credit Document; or

(b) REPRESENTATIONS, ETC.: any representation, warranty or statement made by the Borrower or any other Credit Party herein or in any other Credit Document or in any statement or certificate delivered or required to be delivered pursuant hereto or thereto shall prove to be untrue in any material respect on the date as of which made or deemed made; or

(c) CERTAIN AFFIRMATIVE AND NEGATIVE COVENANTS: the Borrower shall default in the due performance or observance by it of any term, covenant or agreement contained in sections 8.10 or 8.11, or in

sections 9.2 through 9.11, inclusive, of this Agreement; PROVIDED, HOWEVER, that only in the case of a default under section 9.4(c) which is attributable in whole or in part to the amount of Indebtedness of Foreign Subsidiaries, such default under section 9.4(c) shall not constitute an Event of Default hereunder unless it is not remedied within 90 days, or if earlier, within 30 days after a financial or accounting officer of the Borrower first obtains actual knowledge thereof; or

(d) OTHER COVENANTS: the Borrower shall default in the due performance or observance by it of any term, covenant or agreement contained in this Agreement or any other Credit Document, other than those referred to in section 10.1(a) or (b) or (c) above, and such default is not remedied within 30 days after the earlier of (i) an officer of the Borrower obtaining actual knowledge of such default and (ii) the Borrower receiving written notice of such default from the Administrative Agent or the Required Lenders (any such notice to be identified as a "notice of default" and to refer specifically to this paragraph); or

(e) CROSS DEFAULT UNDER OTHER AGREEMENTS: the Borrower or any of its Subsidiaries shall (i) default in any payment with respect to any Indebtedness (other than the Obligations) owed to any Lender, or having an unpaid principal amount of \$5,000,000 or greater, and such default shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Indebtedness, or (ii) default in the observance or performance of any agreement or condition relating to any such Indebtedness or contained in any instrument or agreement evidencing, securing or relating thereto (and all grace periods applicable to such observance, performance or condition shall have expired), or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or holders of such Indebtedness (or a trustee or agent on behalf of such holder or holders) to cause any such Indebtedness to become due prior to its stated maturity; or any such Indebtedness of the Borrower or any of its Subsidiaries shall be declared to be due and payable, or shall be required to be prepaid (other than by a regularly scheduled required prepayment or redemption, prior to the stated maturity thereof); or

(f) OTHER CREDIT DOCUMENTS: any Guaranty or any Security Document (once executed and delivered) shall cease for any reason (other than termination in accordance with its terms) to be in full force and effect; or any Credit Party shall default in any payment obligation thereunder; or any Credit Party shall default in any material respect in the due performance and observance of any other obligation thereunder and such default shall continue unremedied for a period of at least 30 days after notice by the Administrative Agent or the Required Lenders; or any Credit Party shall (or seek to) disaffirm or otherwise limit its obligations thereunder otherwise than in strict compliance with the terms thereof; or

(g) JUDGMENTS: one or more judgments or decrees shall be entered against the Borrower and/or any of its Subsidiaries involving a liability (other than a liability covered by insurance, as to which the carrier has adequate claims paying ability and has not denied coverage or reserved its rights) of \$5,000,000 or more in the aggregate for all such judgments and decrees for the Borrower and its Subsidiaries, and any such judgments or decrees shall not have been vacated, discharged or stayed or bonded pending appeal within 30 days (or such longer period, not in excess of 60 days, during which enforcement thereof, and the filing of any judgment lien, is effectively stayed or prohibited) from the entry thereof; or

(h) BANKRUPTCY, ETC.: any of the following shall occur:

(i) the Borrower, any of its Material Subsidiaries or

any other Credit Party (the Borrower and each of such other persons, each a "PRINCIPAL PARTY") shall commence a voluntary case concerning itself under Title 11 of the United States Code entitled "Bankruptcy," as now or hereafter in effect, or any successor thereto (the "BANKRUPTCY CODE"); or

(ii) an involuntary case is commenced against any Principal Party and the petition is not controverted within 10 days, or is not dismissed within 90 days, after commencement of the case; or

(iii) a custodian (as defined in the Bankruptcy Code) is appointed for, or takes charge of, all or substantially all of the property of any Principal Party; or

(iv) any Principal Party commences (including by way of applying for or consenting to the appointment of, or the taking of possession by, a rehabilitator, receiver, custodian, trustee, conservator or liquidator (collectively, a "CONSERVATOR") of itself or all or any substantial portion of its property) any other proceeding under any reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency, liquidation, rehabilitation, conservatorship or similar law of any jurisdiction whether now or hereafter in effect relating to such Principal Party; or

(v) any such proceeding is commenced against any Principal Party to the extent such proceeding is consented by such person or remains undismissed for a period of 90 days; or

(vi) any Principal Party is adjudicated insolvent or bankrupt; or

(vii) any order of relief or other order approving any such case or proceeding is entered; or

(viii) any Principal Party suffers any appointment of any conservator or the like for it or any substantial part of its property which continues undischarged or unstayed for a period of 90 days; or

(ix) any Principal Party makes a general assignment for the benefit of creditors; or

(x) any corporate (or similar organizational) action is taken by any Principal Party for the purpose of effecting any of the foregoing; or

(i) ERISA: (i) any of the events described in clauses (i) through (viii) of section 8.1(f) shall have occurred; or (ii) there shall result from any such event or events the imposition of a lien, the granting of a security interest, or a liability or a material risk of incurring a liability; and (iii) any such event or events or any such lien, security interest or liability, individually, and/or in the aggregate, in the opinion of the Required Lenders, has had, or could reasonably be expected to have, a Material Adverse Effect; or

(j) MATERIAL ADVERSE EFFECT: any event or circumstance shall occur or exist which has a Material Adverse Effect upon the Borrower, as compared to the business, operations, property, assets, liabilities or condition (financial or otherwise) of the Borrower and its Subsidiaries as reflected in the financial statements and the Financial Projections referred to in section 7.8.

10.2. ACCELERATION, ETC. Upon the occurrence of any Event of Default, and at any time thereafter, if any Event of Default shall then be continuing, the Administrative Agent shall, upon the written request of the Required

Lenders, by written notice to the Borrower, take any or all of the following actions, without prejudice to the rights of the Administrative Agent or any Lender to enforce its claims against the Borrower in any manner permitted under applicable law:

(a) declare the Total Commitment terminated, whereupon the Commitment of each Lender shall forthwith terminate immediately without any other notice of any kind;

(b) declare the principal of and any accrued interest in respect of all Loans, all Unpaid Drawings and all other Obligations owing hereunder and thereunder to be, whereupon the same shall become, forthwith due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower;

(c) terminate any Letter of Credit which may be terminated in accordance with its terms;

(d) direct the Borrower to pay (and the Borrower hereby agrees that on receipt of such notice or upon the occurrence of an Event of Default with respect to the Borrower under section 10.1(h), it will pay) to the Administrative Agent an amount of cash equal to the aggregate Stated Amount of all Letters of Credit then outstanding (such amount to be held as security for the Borrower's (and any Subsidiary which is an account party) reimbursement obligations in respect thereof); and/or

(e) exercise any other right or remedy available under any of the Credit Documents or applicable law;

PROVIDED that, if an Event of Default specified in section 10.1(h) shall occur with respect to the Borrower, the result which would occur upon the giving of written notice by the Administrative Agent as specified in clauses (a) and/or (b) above shall occur automatically without the giving of any such notice.

10.3. APPLICATION OF LIQUIDATION PROCEEDS. All monies received by the Administrative Agent or any Lender from the exercise of remedies hereunder or under the other Credit Documents or under any other documents relating to this Agreement shall, unless otherwise required by the terms of the other Credit Documents or by applicable law, be applied as follows:

(a) FIRST, to the payment of all expenses (to the extent not paid by the Borrower) incurred by the Administrative Agent and the Lenders in connection with the exercise of such remedies, including, without limitation, all reasonable costs and expenses of collection, attorneys' fees, court costs and any foreclosure expenses;

(b) SECOND, to the payment PRO RATA of interest then accrued on the outstanding Loans;

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(c) THIRD, to the payment PRO RATA of any fees then accrued and payable to the Administrative Agent, any Letter of Credit Issuer or any Lender under this Agreement in respect of the Loans or the Letter of Credit Outstandings;

(d) FOURTH, to the payment PRO RATA of (i) the principal balance then owing on the outstanding Loans, and (ii) the Stated Amount of the Letter of Credit Outstandings (to be held and applied by the Administrative Agent as security for the reimbursement obligations in respect thereof);

(e) FIFTH, to the payment to the Lenders of any amounts then accrued and unpaid under sections 2.10, 2.11, 3.5 and 5.4 hereof, and if such proceeds are insufficient to pay such amounts in full, to the payment of such amounts PRO RATA;

(f) SIXTH, to the payment PRO RATA of all other amounts owed

by the Borrower to the Administrative Agent, to any Letter of Credit Issuer or any Lender under this Agreement or any other Credit Document, and if such proceeds are insufficient to pay such amounts in full, to the payment of such amounts PRO RATA; and

(g) FINALLY, any remaining surplus after all of the Obligations have been paid in full, to the Borrower or to whomsoever shall be lawfully entitled thereto.

SECTION 11. THE ADMINISTRATIVE AGENT.

11.1. APPOINTMENT. Each Lender hereby irrevocably designates and appoints KeyBank as Administrative Agent (such term to include, for the purposes of this section 11, KeyBank acting as Collateral Agent) to act as specified herein and in the other Credit Documents, and each such Lender hereby irrevocably authorizes KeyBank as the Administrative Agent for such Lender, to take such action on its behalf under the provisions of this Agreement and the other Credit Documents and to exercise such powers and perform such duties as are expressly delegated to the Administrative Agent by the terms of this Agreement and the other Credit Documents, together with such other powers as are reasonably incidental thereto. The Administrative Agent agrees to act as such upon the express conditions contained in this section 11. Notwithstanding any provision to the contrary elsewhere in this Agreement, the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein or in the other Credit Documents, nor any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or otherwise exist against the Administrative Agent. The provisions of this section 11 are solely for the benefit of the Administrative Agent, and the Lenders, and the Borrower and its Subsidiaries shall not have any rights as a third party beneficiary of any of the provisions hereof. In performing its functions and duties under this Agreement, the Administrative Agent shall act solely as agent of the Lenders and does not assume and shall not be deemed to have assumed any obligation or relationship of agency or trust with or for the Borrower or any of its Subsidiaries.

11.2. DELEGATION OF DUTIES. The Administrative Agent may execute any of its duties under this Agreement or any other Credit Document by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care except to the extent otherwise required by section 11.3.

11.3. EXCULPATORY PROVISIONS. Neither the Administrative Agent nor any of its respective officers, directors, employees, agents, attorneys-in-fact or affiliates shall be (i) liable for any action lawfully taken or omitted to be taken by it or such person under or in connection with this Agreement (except for its or such person's own gross negligence or willful misconduct) or (ii) responsible in any manner to any of the Lenders for any recitals, statements, representations or warranties made by the Borrower or of its Subsidiaries or any of their respective officers contained in this Agreement, any other Credit Document or in any certificate, report, statement or other document referred to or provided for in, or received by the Administrative Agent under or in connection with, this Agreement or any other Credit Document or for any failure of the Borrower or any Subsidiary of the Borrower or

any of their respective officers to perform its obligations hereunder or thereunder. The Administrative Agent shall not be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement, or to inspect the properties, books or records of the Borrower or any of its Subsidiaries. The Administrative Agent shall not be responsible to any Lender for the effectiveness, genuineness, validity, enforceability, collectibility or sufficiency of this Agreement or any Credit Document or for any representations, warranties, recitals or statements made herein or therein or made in any written or oral statement or in any financial or other statements, instruments, reports,

certificates or any other documents in connection herewith or therewith furnished or made by the Administrative Agent to the Lenders or by or on behalf of the Borrower or any of its Subsidiaries to the Administrative Agent or any Lender or be required to ascertain or inquire as to the performance or observance of any of the terms, conditions, provisions, covenants or agreements contained herein or therein or as to the use of the proceeds of the Loans or of the existence or possible existence of any Default or Event of Default.

11.4. RELIANCE BY ADMINISTRATIVE AGENT. The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any note, writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, facsimile transmission, telex or teletype message, statement, order or other document or conversation believed by it, in good faith, to be genuine and correct and to have been signed, sent or made by the proper person or persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Borrower or any of its Subsidiaries), independent accountants and other experts selected by the Administrative Agent. The Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Credit Document unless it shall first receive such advice or concurrence of the Required Lenders as it deems appropriate or it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement and the other Credit Documents in accordance with a request of the Required Lenders (or all of the Lenders, as to any matter which, pursuant to section 12.12, can only be effectuated with the consent of all Lenders), and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders.

11.5. NOTICE OF DEFAULT. The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder, other than a Default under section 10.1(a), UNLESS the Administrative Agent has received notice from a Lender or the Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". In the event that the Administrative Agent receives such a notice, the Administrative Agent shall give prompt notice thereof to the Lenders. The Administrative Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the Required Lenders, PROVIDED that unless and until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interests of the Lenders.

11.6. NON-RELIANCE. Each Lender expressly acknowledges that neither the Administrative Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates have made any representations or warranties to it and that no act by the Administrative Agent hereinafter taken, including any review of the affairs of the Borrower or any of its Subsidiaries, shall be deemed to constitute any representation or warranty by the Administrative Agent to any Lender. Each Lender represents to the Administrative Agent that it has, independently and without reliance upon the Administrative Agent, or any other Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, assets, operations, property, financial and other conditions, prospects and creditworthiness of the Borrower and its Subsidiaries and made its own decision to make its Loans hereunder and enter into this Agreement. Each Lender also represents that it will, independently and without reliance upon the Administrative Agent, or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement, and to make such investigation as it deems necessary to inform itself as to the business, assets, operations, property, financial and other conditions, prospects and creditworthiness of the Borrower and its Subsidiaries. The Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, assets, property, financial and other conditions, prospects or creditworthiness of the Borrower or any of

its Subsidiaries which may come into the possession of the Administrative Agent or any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates.

11.7. INDEMNIFICATION. The Lenders agree to indemnify the Administrative Agent in its capacity as such ratably according to their respective General Revolving Loans and Unutilized General Revolving Commitments, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, reasonable expenses or disbursements of any kind whatsoever which may at any time (including, without limitation, at any time following the payment of the Obligations) be imposed on, incurred by or asserted against the Administrative Agent in its capacity as such in any way relating to or arising out of this Agreement or any other Credit Document, or any documents contemplated by or referred to herein or the transactions contemplated hereby or any action taken or omitted to be taken by the Administrative Agent under or in connection with any of the foregoing, but only to the extent that any of the foregoing is not paid by the Borrower, PROVIDED that no Lender shall be liable to the Administrative Agent for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements to the extent resulting from the Administrative Agent's gross negligence or willful misconduct. If any indemnity furnished to the Administrative Agent for any purpose shall, in the opinion of the Administrative Agent, be insufficient or become impaired, the Administrative Agent may call for additional indemnity and cease, or not commence, to do the acts indemnified against until such additional indemnity is furnished. The agreements in this section 11.7 shall survive the payment of all Obligations.

11.8. THE ADMINISTRATIVE AGENT IN INDIVIDUAL CAPACITY. The Administrative Agent and its Affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Borrower, its Subsidiaries and their Affiliates as though not acting as Administrative Agent hereunder. With respect to the Loans made by it and all Obligations owing to it, the Administrative Agent shall have the same rights and powers under this Agreement as any Lender and may exercise the same as though it were not the Administrative Agent, and the terms "Lender" and "Lenders" shall include the Administrative Agent in its individual capacity.

11.9. SUCCESSOR ADMINISTRATIVE AGENT. The Administrative Agent may resign as the Administrative Agent upon 20 Business Days' notice to the Lenders and the Borrower. The Required Lenders shall appoint from among the Lenders a successor Administrative Agent for the Lenders, subject to (unless an Event of Default shall have occurred and be continuing) prior approval by the Borrower of such successor (such approval not to be unreasonably withheld or delayed), whereupon such successor agent shall succeed to the rights, powers and duties of the Administrative Agent, and the term "Administrative Agent" shall include such successor agent effective upon its appointment, and the resigning Administrative Agent's rights, powers and duties as the Administrative Agent shall be terminated, without any other or further act or deed on the part of such former Administrative Agent or any of the parties to this Agreement. After the retiring Administrative Agent's resignation hereunder as the Administrative Agent, the provisions of this section 11 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement.

11.10. OTHER AGENTS. Any Lender identified herein as a Co-Agent, Syndication Agent, Documentation Agent, Managing Agent, Manager or any other corresponding title, other than "Administrative Agent", shall have no right, power, obligation, liability, responsibility or duty under this Agreement or any other Credit Document except those applicable to all Lenders as such. Each Lender acknowledges that it has not relied, and will not rely, on any Lender so identified in deciding to enter into this Agreement or in taking or not taking any action hereunder.

SECTION 12. MISCELLANEOUS.

12.1. PAYMENT OF EXPENSES ETC. (a) Whether or not the transactions contemplated hereby are consummated, the Borrower agrees to pay (or reimburse the Administrative Agent for) all reasonable out-of-pocket costs and expenses of the Administrative Agent in connection with the negotiation, preparation, execution and delivery of the Credit Documents and the documents and instruments referred to therein, and the syndication of the Commitments provided for herein, including, without limitation, the reasonable fees and disbursements of Jones,

(b) The Borrower agrees to pay (or reimburse the Administrative Agent for) all reasonable out-of-pocket costs and expenses of the Administrative Agent in connection with any amendment, waiver or consent relating to any of the Credit Documents which is requested by any Credit Party, including, without limitation, the reasonable fees and disbursements of Jones, Day, Reavis & Pogue, special counsel to the Administrative Agent.

(c) The Borrower agrees to pay (or reimburse the Administrative Agent and the Lenders for) all reasonable out-of-pocket costs and expenses of the Administrative Agent and the Lenders in connection with the enforcement of any of the Credit Documents or the other documents and instruments referred to therein, including, without limitation, (i) the reasonable fees and disbursements of Jones, Day, Reavis & Pogue, special counsel to the Administrative Agent, and (ii) the reasonable fees and disbursements of any individual counsel to any Lender (and any allocated costs of internal counsel).

(d) Without limitation of the preceding section 12.1(c), in the event of the bankruptcy, insolvency, rehabilitation or other similar proceeding in respect of the Borrower or any of its Subsidiaries, the Borrower agrees to pay all costs of collection and defense, including reasonable attorneys' fees in connection therewith and in connection with any appellate proceeding or post-judgment action involved therein, which shall be due and payable together with all required service or use taxes.

(e) The Borrower agrees to pay and hold the Administrative Agent and each of the Lenders harmless from and against any and all present and future stamp and other similar taxes with respect to the foregoing matters and save the Administrative Agent and each of the Lenders harmless from and against any and all liabilities with respect to or resulting from any delay or omission (other than to the extent attributable to such Lender) to pay such taxes.

(f) The Borrower agrees to indemnify the Administrative Agent and each Lender, its officers, directors, employees, representatives and agents (collectively, the "INDEMNITEES") from and hold each of them harmless against any and all losses, liabilities, claims, damages or expenses reasonably incurred by any of them as a result of, or arising out of, or in any way related to, or by reason of

(i) any investigation, litigation or other proceeding (whether or not the Administrative Agent or any Lender is a party thereto) related to the entering into and/or performance of any Credit Document or the use of the proceeds of any Loans hereunder or the consummation of any transactions contemplated in any Credit Document, other than any such investigation, litigation or proceeding arising out of transactions solely between any of the Lenders or the Administrative Agent, transactions solely involving the assignment by a Lender of all or a portion of its Loans and Commitments, or the granting of participations therein, as provided in this Agreement, or arising solely out of any examination of a Lender by any regulatory or other governmental authority having jurisdiction over it, or

(ii) the actual or alleged presence of Hazardous Materials in the air, surface water or groundwater or on the surface or subsurface of any Real Property owned, leased or at any time operated by the Borrower or any of its Subsidiaries, the release, generation, storage, transportation, handling or disposal of Hazardous Materials at any location, whether or not owned or operated by the Borrower or any of its Subsidiaries, if the Borrower or any such Subsidiary could have or is alleged to have any responsibility in respect thereof, the non-compliance of any such Real Property with foreign, federal, state and local laws, regulations and ordinances (including applicable permits thereunder) applicable thereto, or any Environmental Claim asserted against the Borrower or any of its Subsidiaries, in respect of any such Real Property,

including, in each case, without limitation, the reasonable documented fees and disbursements of counsel incurred in connection with any such investigation, litigation or other proceeding (but excluding any such losses, liabilities, claims, damages or expenses to the extent incurred by reason of the gross negligence or willful misconduct of the person to be indemnified or of any other Indemnitee who is such person or an Affiliate of such person). To the extent that the undertaking to indemnify, pay or hold harmless any person set forth in the preceding sentence may be

unenforceable because it is violative of any law or public policy, the Borrower shall make the maximum contribution to the payment and satisfaction of each of the indemnified liabilities which is permissible under applicable law.

12.2. RIGHT OF SETOFF. In addition to any rights now or hereafter granted under applicable law or otherwise, and not by way of limitation of any such rights, upon the occurrence of an Event of Default, each Lender is hereby authorized at any time or from time to time, without presentment, demand, protest or other notice of any kind to the Borrower or to any other person, any such notice being hereby expressly waived, to set off and to appropriate and apply any and all deposits (general or special) and any other Indebtedness at any time held or owing by such Lender (including, without limitation, by branches and agencies of such Lender wherever located) to or for the credit or the account of the Borrower against and on account of the Obligations and liabilities of the Borrower to such Lender under this Agreement or under any of the other Credit Documents, including, without limitation, all interests in Obligations of the Borrower purchased by such Lender pursuant to section 12.4(c), and all other claims of any nature or description arising out of or connected with this Agreement or any other Credit Document, irrespective of whether or not such Lender shall have made any demand hereunder and although said Obligations, liabilities or claims, or any of them, shall be contingent or unmatured.

12.3. NOTICES. Except as otherwise expressly provided herein, all notices and other communications provided for hereunder shall be in writing (including telegraphic, telex, facsimile transmission or cable communication) and mailed, telegraphed, telexed, transmitted, cabled or delivered, if to the Borrower, at 25101 Chagrin Boulevard, Beachwood, Ohio 44122, attention: Vice President, Treasurer & Controller (facsimile: (216) 765-0410); if to any Lender at its address specified for such Lender on Annex I hereto; if to the Administrative Agent, at its Notice Office; or at such other address as shall be designated by any party in a written notice to the other parties hereto. All such notices and communications shall be mailed, telegraphed, telexed, telecopied, or cabled or sent by overnight courier, and shall be effective when received.

12.4. BENEFIT OF AGREEMENT. (a) GENERAL. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors and assigns, PROVIDED that the Borrower may not assign or transfer any of its rights or obligations hereunder without the prior written consent of all the Lenders, and, PROVIDED, FURTHER, that any assignment by a Lender of its rights and obligations hereunder shall be effected in accordance with section 12.4(c).

(b) PARTICIPATIONS. Notwithstanding the foregoing, each Lender may at any time grant participations in any of its rights hereunder or under any of the Notes to (x) another Lender that is not a Defaulting Lender or to an Affiliate of such Lender which is a commercial bank, financial institution or other "accredited investor" (as defined in SEC Regulation D), or (y) one or more Eligible Transferees, PROVIDED that in the case of any such participation,

(i) the participant shall not have any rights under this Agreement or any of the other Credit Documents, including rights of consent, approval or waiver (the participant's rights against such Lender in respect of such participation to be those set forth in the agreement executed by such Lender in favor of the participant relating thereto),

(ii) such Lender's obligations under this Agreement

(including, without limitation, its Commitment hereunder) shall remain unchanged,

(iii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations,

(iv) such Lender shall remain the holder of any Note for all purposes of this Agreement, and

(v) the Borrower, the Administrative Agent, and the other Lenders shall continue to deal solely and directly with the selling Lender in connection with such Lender's rights and obligations under this Agreement, and all amounts payable by the Borrower hereunder shall be determined as if such Lender had not sold such participation, except that the participant shall be entitled to the benefits of sections 2.10 and

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2.11 of this Agreement to the extent that such Lender would be entitled to such benefits if the participation had not been entered into or sold,

and, PROVIDED FURTHER, that no Lender shall transfer, grant or sell any participation under which the participant shall have rights to approve any amendment to or waiver of this Agreement or any other Credit Document except to the extent such amendment or waiver would (w) extend the final scheduled maturity of the Loans in which such participant is participating, or reduce the rate or extend the time of payment of interest or Fees thereon (except in connection with a waiver of the applicability of any post-default increase in interest rates), or reduce the principal amount thereof, or increase such participant's participating interest in any Commitment over the amount thereof then in effect (it being understood that a waiver of any Default or Event of Default shall not constitute a change in the terms of any such Commitment), (x) release all or any substantial portion of the Collateral, (y) release any guarantor from its guaranty of any of the Obligations, except strictly in accordance with the terms of the Credit Documents, or (z) consent to the assignment or transfer by the Borrower of any of its rights or obligations under this Agreement.

(c) ASSIGNMENTS BY LENDERS. Notwithstanding the foregoing, (x) any Lender may assign all or a fixed portion of its Loans and/or Commitment, and its rights and obligations hereunder, which does not have to be PRO RATA among the Facilities, to another Lender that is not a Defaulting Lender, or to an Affiliate of any Lender (including itself) and which is not a Defaulting Lender and which is a commercial bank, financial institution or other "accredited investor" (as defined in SEC Regulation D), and (y) any Lender may assign all, or if less than all, a fixed portion, equal to at least \$5,000,000 in the aggregate for the assigning Lender or assigning Lenders, of its Loans and/or Commitment and its rights and obligations hereunder, which does not have to be PRO RATA among the Facilities, to one or more Eligible Transferees, each of which assignees shall become a party to this Agreement as a Lender by execution of an Assignment Agreement, PROVIDED that

(i) the Swing Line Lender may only assign its Swing Line Revolving Commitment and its Swing Line Revolving Loans as an entirety and only if the assignee thereof is or becomes a Lender with a General Revolving Commitment,

(ii) in the case of any assignment of a portion of any Loans and/or Commitment of a Lender, such Lender shall retain a minimum fixed portion of all Loans and Commitments equal to at least \$5,000,000,

(iii) at the time of any such assignment Annex I shall be deemed modified to reflect the Commitments of such new Lender and of the existing Lenders,

(iv) upon surrender of the old Notes, new Notes will be issued to such new Lender and to the assigning Lender, such new Notes to be in conformity with the requirements of section 2.6 (with appropriate

modifications) to the extent needed to reflect the revised Commitments,

(v) in the case of clause (y) only, the consent of the Administrative Agent and each Letter of Credit Issuer shall be required in connection with any such assignment (which consent shall not be unreasonably withheld or delayed), and

(vi) the Administrative Agent shall receive at the time of each such assignment, from the assigning or assignee Lender, the payment of a non-refundable assignment fee of \$3,500,

and, PROVIDED FURTHER, that such transfer or assignment will not be effective until the Assignment Agreement in respect thereof is recorded by the Administrative Agent on the Lender Register maintained by it as provided herein.

To the extent of any assignment pursuant to this section 12.4(c) the assigning Lender shall be relieved of its obligations hereunder with respect to its assigned Commitments.

At the time of each assignment pursuant to this section 12.4(c) to a person which is not already a Lender hereunder and which is not a United States person (as such term is defined in section 7701(a)(30) of the Code) for

Federal income tax purposes, the respective assignee Lender shall provide to the Borrower and the Administrative Agent the appropriate Internal Revenue Service Forms (and, if applicable a Section 5.4(b)(ii) Certificate) described in section 5.4(b). To the extent that an assignment of all or any portion of a Lender's Commitment and related outstanding Obligations pursuant to this section 12.4(c) would, at the time of such assignment, result in increased costs under section 2.10 from those being charged by the respective assigning Lender prior to such assignment, then the Borrower shall not be obligated to pay such increased costs (although the Borrower shall be obligated to pay any other increased costs of the type described above resulting from changes after the date of the respective assignment).

Nothing in this section 12.4(c) shall prevent or prohibit any Lender from pledging its Notes or Loans to a Federal Reserve Bank in support of borrowings made by such Lender from such Federal Reserve Bank.

(d) NO SEC REGISTRATION OR BLUE SKY COMPLIANCE. Notwithstanding any other provisions of this section 12.4, no transfer or assignment of the interests or obligations of any Lender hereunder or any grant of participation therein shall be permitted if such transfer, assignment or grant would require the Borrower to file a registration statement with the SEC or to qualify the Loans under the "Blue Sky" laws of any State.

(e) REPRESENTATIONS OF LENDERS. Each Lender initially party to this Agreement hereby represents, and each person that became a Lender pursuant to an assignment permitted by this section 12.4 will, upon its becoming party to this Agreement, represent that it is a commercial lender, other financial institution or other "accredited" investor (as defined in SEC Regulation D) which makes or acquires loans in the ordinary course of its business and that it will make or acquire Loans for its own account in the ordinary course of such business, PROVIDED that subject to the preceding sections 12.4(b) and (c), the disposition of any promissory notes or other evidences of or interests in Indebtedness held by such Lender shall at all times be within its exclusive control.

12.5. NO WAIVER: REMEDIES CUMULATIVE. No failure or delay on the part of the Administrative Agent or any Lender in exercising any right, power or privilege hereunder or under any other Credit Document and no course of dealing between the Borrower and the Administrative Agent or any Lender shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or under any other Credit Document preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder or thereunder. The rights and remedies herein expressly provided are cumulative and not exclusive of any rights or remedies which the Administrative Agent or any Lender would otherwise have. No notice to or demand on the Borrower in any case shall entitle the Borrower to any other or further notice or demand

in similar or other circumstances or constitute a waiver of the rights of the Administrative Agent or the Lenders to any other or further action in any circumstances without notice or demand.

12.6. PAYMENTS PRO RATA. (a) The Administrative Agent agrees that promptly after its receipt of each payment from or on behalf of the Borrower in respect of any Obligations, it shall distribute such payment to the Lenders (other than any Lender that has expressly waived in writing its right to receive its PRO RATA share thereof) PRO RATA based upon their respective shares, if any, of the Obligations with respect to which such payment was received. As to any such payment received by the Administrative Agent prior to 1:00 P.M. (local time at the Payment Office) in funds which are immediately available on such day, the Administrative Agent will use all reasonable efforts to distribute such payment in immediately available funds on the same day to the Lenders as aforesaid.

(b) Each of the Lenders agrees that, if it should receive any amount hereunder (whether by voluntary payment, by realization upon security, by the exercise of the right of setoff or banker's lien, by counterclaim or cross action, by the enforcement of any right under the Credit Documents, or otherwise) which is applicable to the payment of the principal of, or interest on, the Loans or Fees, of a sum which with respect to the related sum or sums received by other Lenders is in a greater proportion than the total of such Obligation then owed and due to such Lender bears to the total of such Obligation then owed and due to all of the Lenders immediately prior to such receipt, then such Lender receiving such excess payment shall purchase for cash without recourse or warranty from the other Lenders an interest in the Obligations to such Lenders in such amount as shall result in a proportional participation by all of the Lenders in such amount, PROVIDED that if all or any portion of such excess amount is thereafter recovered from such Lender, such purchase shall be rescinded and the purchase price restored to the extent of such recovery, but without interest.

(c) Notwithstanding anything to the contrary contained herein, the provisions of the preceding sections 12.6(a) and (b) shall be subject to the express provisions of this Agreement which require, or permit, differing payments to be made to Lenders which are not Defaulting Lenders, as opposed to Defaulting Lenders.

12.7. CALCULATIONS: COMPUTATIONS. (a) The financial statements to be furnished to the Lenders pursuant hereto shall be made and prepared in accordance with GAAP consistently applied throughout the periods involved (except as set forth in the notes thereto or as otherwise disclosed in writing by the Borrower to the Lenders); PROVIDED, that if at any time the computations determining compliance with section 9 utilize accounting principles different from those utilized in the financial statements furnished to the Lenders, such computations shall set forth in reasonable detail a description of the differences and the effect upon such computations.

(b) All computations of interest on Loans hereunder which are denominated in Pounds Sterling shall be made on the actual number of days elapsed over a year of 365 or 366 days, as applicable, and all computations of interest on all other Loans hereunder and of Facility Fee, Letter of Credit Fees and other Fees hereunder shall be made on the actual number of days elapsed over a year of 360 days.

12.8. GOVERNING LAW; SUBMISSION TO JURISDICTION; VENUE; WAIVER OF JURY TRIAL. (a) THIS AGREEMENT AND THE OTHER CREDIT DOCUMENTS AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREBEFORE AND THEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE LAW OF THE STATE OF OHIO, TO THE FULLEST EXTENT PERMITTED BY LAW, THE BORROWER HEREBY UNCONDITIONALLY AND IRREVOCABLY WAIVES ANY CLAIM TO ASSERT THAT THE LAW OF ANY JURISDICTION OTHER THAN THE STATE OF OHIO GOVERNS THIS AGREEMENT OR ANY OF THE OTHER CREDIT DOCUMENTS. Any legal action or proceeding with respect to this Agreement or any other Credit Document may be brought in the Court of Common Pleas of Cuyahoga County, Ohio, or of the United States for the Northern District of Ohio, and, by execution and delivery of this Agreement, the Borrower hereby irrevocably accepts for itself and in respect of its property, generally and unconditionally, the jurisdiction of the aforesaid courts. The Borrower hereby further irrevocably consents to the

service of process out of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to the Borrower at its address for notices pursuant to section 12.3, such service to become effective 30 days after such mailing or at such earlier time as may be provided under applicable law. Nothing herein shall affect the right of the Administrative Agent or any Lender to serve process in any other manner permitted by law or to commence legal proceedings or otherwise proceed against the Borrower in any other jurisdiction.

(b) The Borrower hereby irrevocably waives any objection which it may now or hereafter have to the laying of venue of any of the aforesaid actions or proceedings arising out of or in connection with this Agreement or any other Credit Document brought in the courts referred to in section 12.8(a) above and hereby further irrevocably waives and agrees not to plead or claim in any such court that any such action or proceeding brought in any such court has been brought in an inconvenient forum.

(c) EACH OF THE PARTIES TO THIS AGREEMENT HEREBY IRREVOCABLY WAIVES ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE OTHER CREDIT DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

12.9. COUNTERPARTS. This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same agreement. A set of counterparts executed by all the parties hereto shall be lodged with the Borrower and the Administrative Agent.

12.10. EFFECTIVENESS. This Agreement shall become effective on the date (the "EFFECTIVE DATE") on which the Borrower and each of the Lenders shall have signed a copy hereof (whether the same or different copies) and shall have delivered the same to the Administrative Agent at the Notice Office of the Administrative Agent or, in the

case of the Lenders, shall have given to the Administrative Agent telephonic (confirmed in writing), written telex or facsimile transmission notice (actually received) at such office that the same has been signed and mailed to it.

12.11. HEADINGS DESCRIPTIVE. The headings of the several sections and other portions of this Agreement are inserted for convenience only and shall not in any way affect the meaning or construction of any provision of this Agreement.

12.12. AMENDMENT OR WAIVER. Neither this Agreement, any of the other Credit Documents, nor any terms hereof or thereof, may be amended, changed, waived, discharged or terminated UNLESS such amendment, change, waiver, discharge or termination is in writing signed by the Borrower (or other appropriate Credit Party) and the Required Lenders, PROVIDED that no such amendment, change, waiver, discharge or termination shall, without the consent of each Lender (other than a Defaulting Lender) affected thereby,

(a) extend any maturity date provided for herein applicable to a Loan or a Commitment, reduce the rate or extend the time of payment of interest (other than as a result of waiving the applicability of any post-default increase in interest rates) or Fees thereon, or reduce the principal amount thereof, or increase the Commitment of any Lender over the amount thereof then in effect (it being understood that a waiver of any Default or Event of Default shall not constitute a change in the terms of any Commitment of any Lender),

(b) release the Borrower from any obligations as a guarantor of its Subsidiaries' obligations under any Credit Document,

(c) release any Subsidiary from its obligations as a guarantor of any of the Obligations, except strictly in accordance with the terms of the Credit Documents,

(d) release all or any substantial portion of the Collateral, except strictly in accordance with the terms of the Credit Documents,

(e) change the definition of the term "Change of Control" or any of the provisions of section 4.3 or 5.2 which are applicable upon a Change of Control,

(f) amend, modify or waive any provision of this section 12.12, or section 11.7, 12.1, 12.4, 12.6 or 12.7(b), or any other provision of any of the Credit Documents pursuant to which the consent or approval of all Lenders is by the terms of such provision explicitly required,

(g) reduce the percentage specified in, or otherwise modify, the definition of Required Lenders, or

(h) consent to the assignment or transfer by the Borrower of any of its rights and obligations under this Agreement; and

PROVIDED, FURTHER, that the Bond Letter of Credit Issuer may enter into any amendment or modification of, or may waive compliance with the terms of any Bond Document (other than an indenture), without the consent of any Lender, EXCEPT that without the consent of all of the Lenders (other than a Defaulting Lender) the Bond Letter of Credit Issuer shall not execute any instrument agreeing to any amendment or modification of, or waiver of compliance with any Reimbursement Agreement or Bond Document (i) which would (A) reduce the principal of, or interest on any Letter of Credit Obligation, (B) postpone the due date for any payment of principal of, or interest on, any Letter of Credit Obligation, (C) extend the termination date of a Bond Letter of Credit beyond the Maturity Date, (D) increase the amount of any Bond Letter of Credit or otherwise increase in any material manner the obligations of the Participants, or (E) release or otherwise adversely affect the interests of the Participants in any collateral granted under any Reimbursement Agreement or Bond Document, or (ii) after the occurrence of a Default or Event of Default of which it has written notice from the Administrative Agent; PROVIDED, that (i) at least 30 days before extending the termination date of any Bond Letter of Credit the Bond Letter of Credit Issuer shall notify the

Administrative Agent in writing, which will then notify each Lender, of such proposed extension, and (ii) the Bond Letter of Credit Issuer will not waive any "event of default" arising under any Reimbursement Agreement or Bond Document without the consent of the Required Lenders.

No provision of section 3 or 11 may be amended without the consent of (x) any Letter of Credit Issuer adversely affected thereby or (y) the Administrative Agent, respectively.

12.13. SURVIVAL OF INDEMNITIES. All indemnities set forth herein including, without limitation, in section 2.10, 2.11, 3.5, 5.4, 11.7 or 12.1 shall survive the execution and delivery of this Agreement and the making and prepayment or repayment of the Loans.

12.14. DOMICILE OF LOANS. Each Lender may transfer and carry its Loans at, to or for the account of any branch office, subsidiary or Affiliate of such Lender, PROVIDED that the Borrower shall not be responsible for costs arising under section 2.10 resulting from any such transfer (other than a transfer pursuant to section 2.12) to the extent not otherwise applicable to such Lender prior to such transfer.

12.15. CONFIDENTIALITY. Each Lender shall hold all non-public information obtained pursuant to the requirements of this Agreement in accordance with its customary procedure for handling confidential information of this nature and in accordance with safe and sound banking practices. Notwithstanding the foregoing, any Lender may in any event make disclosures of, and furnish copies of such information (i) to another Lender; (ii) when reasonably required by any BONA FIDE transferee or participant in connection with the contemplated transfer of any Loans or Commitment or participation therein (PROVIDED that each such prospective transferee and/or participant shall

execute an agreement for the benefit of the Borrower with such prospective transferor Lender and/or participant containing provisions substantially identical to those contained in this section 12.15; (iii) to its parent corporation or corporations and its and their Affiliates, and to its and their auditors and attorneys; and (iv) as required or requested by any governmental agency or representative thereof or pursuant to legal process, PROVIDED that, unless specifically prohibited by applicable law or court order, each Lender shall notify the Borrower of any request by any governmental agency or representative thereof (other than any such request in connection with an examination of the financial condition of such Lender by such governmental agency) for disclosure of any such non-public information prior to disclosure of such information. In no event shall any Lender be obligated or required to return any materials furnished by or on behalf of the Borrower or any of its Subsidiaries. The Borrower hereby agrees that the failure of a Lender to comply with the provisions of this section 12.15 shall not relieve the Borrower of any of the obligations to such Lender under this Agreement and the other Credit Documents.

12.16. LENDER REGISTER. The Borrower hereby designates the Administrative Agent to serve as its agent, solely for purposes of this section 12.16, to maintain a register (the "LENDER REGISTER") on or in which it will record the names and addresses of the Lenders, and the Commitments from time to time of each of the Lenders, the Loans made to the Borrower by each of the Lenders and each repayment and prepayment in respect of the principal amount of such Loans of each such Lender. Failure to make any such recordation, or (absent manifest error) any error in such recordation, shall not affect the Borrower's obligations in respect of such Loans. With respect to any Lender, the transfer of the Commitment of such Lender and the rights to the principal of, and interest on, any Loan made pursuant to such Commitment shall not be effective until such transfer is recorded on the Lender Register maintained by the Administrative Agent with respect to ownership of such Commitment and Loans and prior to such recordation all amounts owing to the transferor with respect to such Commitment and Loans shall remain owing to the transferor. The registration of assignment or transfer of all or part of any Commitments and Loans shall be recorded by the Administrative Agent on the Lender Register only upon the acceptance by the Administrative Agent of a properly executed and delivered Assignment Agreement pursuant to section 12.4(c). The Borrower agrees to indemnify the Administrative Agent from and against any and all losses, claims, damages and liabilities of whatsoever nature which may be imposed on, asserted against or incurred by the Administrative Agent in performing its duties under this section 12.16, except to the extent attributable to the gross negligence or wilful misconduct of the Administrative Agent. The Lender Register shall be available for inspection by the Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice.

12.17. LIMITATIONS ON LIABILITY OF THE LETTER OF CREDIT ISSUERS. The Borrower assumes all risks of the acts or omissions of any beneficiary or transferee of any Letter of Credit with respect to its use of such Letters of Credit. Neither any Letter of Credit Issuer nor any of its officers or directors shall be liable or responsible for: (a) the use which may be made of any Letter of Credit or any acts or omissions of any beneficiary or transferee in connection therewith; (b) the validity, sufficiency or genuineness of documents, or of any endorsement thereon, even if such documents should prove to be in any or all respects invalid, insufficient, fraudulent or forged; (c) payment by a Letter of Credit Issuer against presentation of documents that do not comply with the terms of a Letter of Credit, including failure of any documents to bear any reference or adequate reference to such Letter of Credit; or (d) any other circumstances whatsoever in making or failing to make payment under any Letter of Credit, EXCEPT that the Borrower (or a Subsidiary or Affiliate which is the account party in respect of the Letter of Credit in question) shall have a claim against a Letter of Credit Issuer, and a Letter of Credit Issuer shall be liable to the Borrower (or such Subsidiary or Affiliate), to the extent of any direct, but not consequential, damages suffered by the Borrower (or such Subsidiary or Affiliate) which the Borrower (or such Subsidiary or Affiliate) proves were caused by (i) such Letter of Credit Issuer's willful misconduct or gross negligence in determining whether documents presented under a Letter of Credit comply with the terms of such Letter of Credit or (ii) such Letter of Credit

Issuer's willful failure to make lawful payment under any Letter of Credit after the presentation to it of documentation strictly complying with the terms and conditions of such Letter of Credit. In furtherance and not in limitation of the foregoing, a Letter of Credit Issuer may accept documents that appear on their face to be in order, without responsibility for further investigation.

12.18. GENERAL LIMITATION OF LIABILITY. No claim may be made by the Borrower, any Lender, the Administrative Agent, any Letter of Credit Issuer or any other person against the Administrative Agent, any Letter of Credit Issuer, or any other Lender or the Affiliates, directors, officers, employees, attorneys or agents of any of them for any damages other than actual compensatory damages in respect of any claim for breach of contract or any other theory of liability arising out of or related to the transactions contemplated by this Agreement or any of the other Credit Documents, or any act, omission or event occurring in connection therewith; and each of the Borrower, each Lender, the Administrative Agent and each Letter of Credit Issuer hereby, to the fullest extent permitted under applicable law, waives, releases and agrees not to sue or counterclaim upon any such claim for any special, consequential or punitive damages, whether or not accrued and whether or not known or suspected to exist in its favor.

12.19. NO DUTY. All attorneys, accountants, appraisers, consultants and other professional persons (including the firms or other entities on behalf of which any such person may act) retained by the Administrative Agent or any Lender with respect to the transactions contemplated by the Credit Documents shall have the right to act exclusively in the interest of the Administrative Agent or such Lender, as the case may be, and shall have no duty of disclosure, duty of loyalty, duty of care, or other duty or obligation of any type or nature whatsoever to the Borrower, to any of its Subsidiaries, or to any other person, with respect to any matters within the scope of such representation or related to their activities in connection with such representation.

12.20. LENDERS AND AGENT NOT FIDUCIARY TO BORROWER, ETC. The relationship among the Borrower and its Subsidiaries, on the one hand, and the Administrative Agent, each Letter of Credit Issuer and the Lenders, on the other hand, is solely that of debtor and creditor, and the Administrative Agent, each Letter of Credit Issuer and the Lenders have no fiduciary or other special relationship with the Borrower and/or its Subsidiaries, and no term or provision of any Credit Document, no course of dealing, no written or oral communication, or other action, shall be construed so as to deem such relationship to be other than that of debtor and creditor.

12.21. SURVIVAL OF REPRESENTATIONS AND WARRANTIES. All representations and warranties herein shall survive the making of Loans and the issuance of Letters of Credit hereunder, the execution and delivery of this Agreement, the Notes and the other documents the forms of which are attached as Exhibits hereto, the issue and delivery of the Notes, any disposition thereof by any holder thereof, and any investigation made by the Administrative Agent or any Lender or any other holder of any of the Notes or on its behalf. All statements contained in any certificate or other document delivered to the Administrative Agent or any Lender or any holder of any Notes by or on behalf of the Borrower or of its Subsidiaries pursuant hereto or otherwise specifically for use in connection with the transactions contemplated hereby shall constitute representations and warranties by the

Borrower hereunder, made as of the respective dates specified therein or, if no date is specified, as of the respective dates furnished to the Administrative Agent or any Lender

12.22. RELEASE OF COLLATERAL. If the Collateral Release Date has occurred and at such time no Default under section 10.1(a) or Event of Default has occurred and is continuing, THEN promptly after receipt of written request from the Borrower, the Collateral Agent shall release all Collateral and discharge all Security Documents, pursuant to documents of release and discharge prepared, filed and recorded at the expense of the Borrower and satisfactory in form and substance to the Collateral Agent, and effective upon the execution of such documents of release and discharge, (i) the Borrower shall have no obligation under section 8.11 hereof to thereafter execute and deliver any additional Security Document or otherwise provide Collateral for the

Obligations, and (ii) the provisions of section 5.2(e) hereof shall no longer be of any further force or effect. .

12.23. JUDGMENT CURRENCY. (a) If for the purposes of obtaining judgment in any court it is necessary to convert a sum due hereunder or under the Notes in any currency (the "ORIGINAL CURRENCY") into another currency (the "OTHER CURRENCY") the parties hereto agree, to the fullest extent that they may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures the Administrative Agent could purchase the Original Currency with the Other Currency at the principal New York office of a major United States financial institution selected by the Administrative Agent on the Business Day immediately preceding the date on which final judgment is rendered.

(b) The obligation of the Borrower in respect of any sum due in the Original Currency from it to any Lender or the Administrative Agent hereunder or under the Note held by such Lender shall, notwithstanding any judgment in any Other Currency, be discharged only to the extent that on the Business Day following receipt by such Lender or the Administrative Agent (as the case may be) of any sum adjudged to be so due in such Other Currency such Lender or the Administrative Agent (as the case may be) may in accordance with normal banking procedures purchase Dollars with such Other Currency; if the amount of the Original Currency so purchased is less than the sum originally due to such Lender or the Administrative Agent (as the case may be) in the Original Currency, the Borrower agrees, as a separate obligation and notwithstanding any such judgment, to indemnify such Lender or the Administrative Agent (as the case may be) against such loss, and if the amount of the Original Currency so purchased exceeds the sum originally due to any Lender or the Administrative Agent (as the case may be) in the Original Currency, such Lender or the Administrative Agent (as the case may be) agrees to remit to the Borrower such excess.

(c) For purposes of determining the equivalent in one currency of another currency as provided in this section, such amount shall include any premium and costs payable in connection with the conversion into or from any currency.

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IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Agreement to be duly executed and delivered as of the date first above written.

| | |
|---|--|
| <TABLE> | <C> |
| <S> | KEYBANK NATIONAL ASSOCIATION, |
| ALLEN TELECOM INC. | INDIVIDUALLY AS THE SWING LINE LENDER, A LENDER, A LETTER OF CREDIT ISSUER, AND AS THE SYNDICATION AGENT AND THE ADMINISTRATIVE AGENT |
| BY: /s/ James L. LePorte, III | ----- BY: /s/ Laurence J. Mack |
| ----- VICE PRESIDENT, TREASURER & CONTROLLER | ----- SENIOR VICE PRESIDENT |
| NBD BANK, INDIVIDUALLY AS A LENDER AND AS DOCUMENTATION AGENT | STAR BANK, NATIONAL ASSOCIATION |
| BY: /s/ Glenn A. Currin | ----- BY: /s/ David J. Dannemiller ----- TITLE: Vice President |

TITLE: VICE PRESIDENT
DRESRDNER BANK AG,
NEW YORK AND GRAND CAYMAN BRANCHES,
INDIVIDUALLY AS A LENDER AND AS
A LETTER OF CREDIT ISSUER

ISTITUTO BANCARIO SAN PAOLO DI TORINO ISTITUTO
MOBILIARE ITALIANO S. P. A.,
NEW YORK BRANCH

BY:

BY: /s/ Luca Sacchi

TITLE: Vice President

BY:

TITLE:

BY:

TITLE:

FIFTH THIRD BANK, NORTHEASTERN OHIO

LASALLE NATIONAL BANK

BY: /s/ James P. Byrnes

BY: /s/ Mark T. Johnson

TITLE: Vice President

TITLE: Vice President

ALLEN TELECOM INC.

RESTRICTED STOCK AGREEMENT

PURSUANT TO 1992 STOCK PLAN

(Salary Increase Deferral)

Number of Restricted Shares

January 12, 1999

Allen Telecom Inc., a Delaware corporation (hereinafter called the "Company"), pursuant to its 1992 Stock Plan, as amended (hereinafter called the "Plan"), a copy of which is attached hereto as EXHIBIT A and is incorporated herein by reference, hereby awards unto _____ (hereinafter called the "Employee") _____ shares of Common Stock of the Company, par value \$1.00 per share (hereinafter called "Common Stock"), as additional compensation for services rendered to the Company or a subsidiary thereof and in lieu of any increase in the Employee's salary for a period of two years after the year in which the Employee last received an increase in salary (except in unusual circumstances as determined by the Management Compensation Committee, in its sole discretion), on the terms and subject to the conditions hereinafter set forth. These shares are referred to in this Agreement as "Restricted Shares" during the applicable Restriction Period (as defined in paragraph 3(d) hereof). Acceptance of the Restricted Shares shall be deemed to be agreement by the Employee to the terms and conditions set forth in this Agreement and the Plan. Certificates representing the Restricted Shares may not be sold or otherwise transferred and must be held by the Employee until the end of the applicable Restriction Period. Until such terms and conditions have lapsed with respect to any Restricted Shares, the certificate for such shares will bear a legend to the effect that they were issued or transferred subject to, and may be sold or otherwise disposed of only in accordance with, the terms of this Agreement and the Plan.

1. STOCKHOLDER STATUS. Effective upon the date of delivery to the Employee of certificates for Restricted Shares registered in the Employee's name, the Employee will be a holder of record of the Restricted Shares and will have all rights of a stockholder with respect to such shares (including the right to vote such shares at any meeting of stockholders of the Company and the right to receive all dividends paid with respect to such shares), subject only to the terms and conditions imposed by this Agreement and the Plan.

2. EFFECT OF CHANGES IN CAPITALIZATION. The number of Restricted Shares are subject to adjustment as provided in Section 7 of the Plan. Any additional or

different shares or securities issued as the result of such an adjustment will be delivered to the Employee and will be deemed to be included within the term "Restricted Shares." The certificates or other instruments evidencing such additional or different shares or securities shall bear the legend referred to in the introductory paragraph; PROVIDED, HOWEVER, that any fractional shares and any pre-emptive or other rights or warrants to purchase securities issued to the Employee as a holder of Restricted Shares in connection with a public offering will be issued to the Employee free and clear of all terms and conditions imposed by this Agreement and the Plan.

3. LAPSE OF RESTRICTIONS. (a) The restrictions set forth in paragraph 4 below will lapse (i) in four equal consecutive annual installments, each equal to one-fourth of the original number of Restricted Shares set forth in the first paragraph of this Agreement, as such number may be adjusted pursuant to paragraph 2 above (hereinafter called the "Original Number"), at the close of business on December 31, 2005 and at the close of business on

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each December 31 thereafter, or (ii) with respect to one-eighth of the Original Number at the end of the first period of ninety-one consecutive calendar days commencing on or after December 31, 2001 during which the average daily Closing Price (as defined below in this paragraph 3(a)) of the Company's Common Stock equals or exceeds \$15.00 per share, an additional one-eighth of the Original Number at the end of the first such period during which such daily Closing Price equals or exceeds \$20.00 per share, an additional one-eighth of the Original Number at the end of the first such period during which such daily Closing Price equals or exceeds \$25.00 per share and an additional one-eighth of the Original Number at the end of the first such period during which such daily Closing Price equals or exceeds \$30.00 per share, or (iii) with respect to one-eighth of the Original Number at the end of the first period of three consecutive fiscal years of the Company commencing with the fiscal year 1999 during which the average net income (excluding extraordinary and other non-operating gains and losses) per share of Common Stock per year ("Average Net Income") equals or exceeds \$1.03, an additional one-eighth of the Original Number at the end of the first such period during which Average Net Income equals or exceeds \$1.13, an additional one-eighth of the Original Number at the end of the first such period during which Average Net Income equals or exceeds \$1.27 and an additional one-eighth of the Original Number at the end of the first such period during which Average Net Income equals or exceeds \$1.40, with any such Shares as to which restrictions lapse pursuant to the preceding clause (ii) or (iii) prior to December 31, 2005 or any December 31 thereafter to be applied against the installments of the Original Number set forth in clause (i) in the order in which the restrictions would otherwise have lapsed with respect to such installments on December 31, 2005 and on each December 31 thereafter. The foregoing Closing Price and Average Net Income amounts are subject to adjustment in the same manner as the price per share of Options as provided in Section 7 of the Plan.

For purposes of this Agreement, "Closing Price" shall mean the reported last sale price regular way or, in case no such reported sale takes place on such day, the average of the reported closing bid and asked prices regular way for Common Stock of the Company, in either case as reported on the New York Stock Exchange Composite Tape, or, if at any time the Common Stock of the Company is not listed or admitted to trading on such Exchange, on the principal national securities exchange on which the Common Stock of the Company is listed or admitted to trading, or if not listed or admitted to trading on any national securities exchange, on the National Association of Securities Dealers Automated Quotations National Market System or, if the Common Stock of the Company is not listed or admitted to trading on any national securities exchange or quoted on such National Market System, the average of the closing bid and asked prices for Common Stock of the Company in the over-the-counter market as furnished by any New York Stock Exchange member firm selected from time to time by the Company for that purpose.

(b) Notwithstanding paragraph 3(a) above, the restrictions set forth in paragraph 4 below will lapse on all Restricted Shares at the close of business on the date on which a Change in Control of the Company (as defined below in this paragraph 3(b)) shall occur; PROVIDED, HOWEVER, that such restrictions will not lapse on any Restricted Shares with respect to which any amount, as determined by the Company's independent auditors in accordance with the principles of sections 280G(d)(3) and (4) of the Internal Revenue Code of 1986, as amended (the "Code"), when added to any other payment or benefit received or to be received by the Employee in connection with a Change in Control of the Company or the termination of the Employee's employment, would not be deductible by the Company by

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reason of section 280G of the Code; PROVIDED, FURTHER, that no portion of any such amount with respect to any Restricted Shares and no portion of any such other payment or benefit shall be taken into account which in the opinion of tax counsel selected by the Company's independent auditors and acceptable to the Employee does not constitute a "parachute payment" within the meaning of section 280G(b)(2) of the Code (without regard to subsection (A)(ii) thereof).

For purposes of this Agreement, a Change in Control of the Company shall mean:

- (A) any "person", as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (other than the Company, any trustee or other fiduciary holding securities under an employee benefit plan of the Company, or any corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company), is or becomes the "beneficial owner" (as

defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 30% or more of the combined voting power of the Company's then outstanding securities;

- (B) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board, and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in clause (A), (C) or (D) of this paragraph) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority thereof;
- (C) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation, other than (I) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 80% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation or (II) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no "person" (as hereinabove defined) acquires more than 30% of the combined voting power of the Company's then outstanding securities; or
- (D) the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets.

For purposes of this Agreement, the date on which a Change in Control shall occur shall be the date on which public announcement of the acquisition of such percentage described in clause (A) above shall have been made, or the date on which the change in the

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composition of the Board described in clause (B) above shall have occurred, or the date of any such stockholder approval described in clauses (C) or (D) above.

(c) Notwithstanding paragraph 3(a) above, the restrictions set forth in paragraph 4 below will not lapse on any Restricted Shares with respect to which any amount (the "Cap Amount"), as determined by the Company's independent auditors in accordance with the principles of section 162(m) of the Code, when added to any other compensation received or to be received by the Employee in any given fiscal year, would not be deductible by the Company by reason of

section 162(m) of the Code UNTIL such time as the Management Compensation Committee determines, in its sole discretion using its best judgment, that such Cap Amount (or portion thereof), when added to all other compensation received or to be received by the Employee in such fiscal year, would be deductible by the Company, as determined by the Company's independent auditors in accordance with the principles of section 162(m) of the Code; PROVIDED, HOWEVER, that in the event of the termination of Employee's employment by the Company or any subsidiary thereof as a result of the death or permanent disability of Employee, or the termination of Employee's employment and concurrent retirement pursuant to normal or early retirement under a retirement plan of the Company or any subsidiary thereof, or the involuntary termination of Employee's employment by the Company or any subsidiary thereof, the restrictions set forth in paragraph 4 below will immediately lapse on any Restricted Shares comprising a Cap Amount; and PROVIDED FURTHER, that in the event of the voluntary termination of Employee's employment by the Company or any subsidiary thereof, the Restricted Shares comprising a Cap Amount shall remain subject to the forfeiture provisions set forth in paragraph 5 below.

(d) As soon as practicable after the restrictions with respect to any installment of Restricted Shares lapse (i) at the end of the period applicable to such installment set forth in paragraph 3(a) above (the "Restriction Period") or (ii) pursuant to paragraphs 3(b), 3(c) or 5 hereof, the Company will deliver to the Employee, or the Employee's legal representative in case of the Employee's death, promptly after surrender of the Employee's certificate(s) for the Restricted Shares to the Treasurer of the Company, the certificate or certificates for such shares free of any legend or further restrictions together with a new certificate representing any remaining Restricted Shares. It shall be a condition to the obligation of the Company to issue or transfer shares of Common Stock upon the lapse of restrictions with respect to any installment of Restricted Shares that the Employee (or any person entitled to act under this paragraph 3(d)) pay to the Company, or elect to relinquish to the Company a portion of such Restricted Shares equal in value to, such amount as may be required by the Company for the purpose of satisfying its liability to withhold federal, state, local or foreign income or other taxes by reason of such issuance or transfer. If the amount required is not paid or authorized to be relinquished and withheld from such Restricted Shares, the Company may refuse to issue or transfer shares of Common Stock. Furthermore, the Employee (or any person entitled to act under this paragraph 3(d)) may likewise elect to relinquish to the Company an additional portion of such Restricted Shares up to an amount equal in value to the estimated amount of federal, state, local or foreign income or other taxes to be paid in connection with the lapsing of restrictions on such Restricted Shares with respect to which withholding by the Company is not required based on the Employee's estimated maximum marginal tax rates; PROVIDED, HOWEVER, that the maximum number of Shares that may be withheld shall not exceed 47 percent of such Restricted Shares. The Company shall pay to the governmental entities designated by the Employee (or any person entitled to act under this paragraph 3(d))

the amounts designated by such Employee (or any person entitled to act under this paragraph 3(d)) pursuant to this paragraph 3(d).

4. RESTRICTIONS. During the Restriction Period, neither the Restricted Shares nor any right or privilege pertaining thereto may be sold, transferred, assigned, pledged, hypothecated or otherwise disposed of or encumbered in any way, by operation of law or otherwise, and shall not be subject to execution, attachment or similar process. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of or encumber the Restricted Shares or any right or privilege pertaining thereto, otherwise than by will or by the laws of descent and distribution, or upon the levy of any execution, attachment or similar process thereupon, the Restricted Shares and all rights and privileges given hereby shall immediately terminate and the Restricted Shares shall be forfeited to the Company pursuant to paragraph 5 hereof.

5. FORFEITURE. (a) All the Employee's rights to, and interest in, the Restricted Shares shall terminate and be forfeited to the Company without payment of consideration if either (i) the Employee's employment by the Company or any subsidiary thereof terminates for any reason other than the Employee's death, disability, retirement pursuant to normal or early retirement under any retirement plan of the Company or any subsidiary of the Company or termination by the Company or any subsidiary of the Company; PROVIDED, HOWEVER, that the Employee's employment will not be deemed to have terminated for this purpose while the Employee is on a leave of absence which has been approved by the Company, or (ii) any action prohibited by paragraph 4 hereof is taken. In the event of termination of employment as a result of death or permanent disability, the restrictions set forth in paragraph 4 hereof will lapse with respect to the Original Number multiplied by a fraction, the denominator of which shall be 120 and the numerator of which shall be the number of full months of employment of the Employee by the Company or any subsidiary of the Company after December 31, 1998 (the "Pro Rata Number"), and the remaining Restricted Shares in excess of the Pro Rata Number shall be forfeited in accordance with this paragraph 5(a) or, if the Original Number with respect to which restrictions have lapsed pursuant to paragraph 3 hereof prior to such termination of employment exceeds the Pro Rata Number, all remaining Restricted Shares in excess of such Original Number with respect to which restrictions have lapsed pursuant to paragraph 3 hereof shall be forfeited in accordance with this paragraph 5(a); in the event of termination of employment and concurrent retirement pursuant to normal or early retirement under a retirement plan of the Company or any subsidiary thereof, the Pro Rata Number shall continue to be subject to the provisions of paragraph 3 hereof (provided that the lapsing of restrictions for such Pro Rata Number under paragraph 3(a) and 3(c) shall be determined based on the Original Number) and the remaining Restricted Shares in excess of the Pro Rata Number shall be forfeited in accordance with this paragraph 5(a) or, if the Original Number with respect to which restrictions have lapsed pursuant to paragraph 3 hereof prior to such termination of employment and retirement exceeds the Pro Rata Number, all remaining Restricted Shares in excess of such Original Number with respect to which restrictions have lapsed pursuant to paragraph 3 hereof shall be forfeited in accordance with this paragraph 5(a); and in the event of

termination by the Company or any subsidiary thereof of the Employee's employment by the Company or any subsidiary thereof for any reason, the restrictions set forth in paragraph 4 hereof will lapse with respect to the lesser of the Pro Rata Number and the Pro Rata Number multiplied by a fraction, the denominator of which shall be the Closing Price of the Company's Common Stock on the date of such termination of employment and the numerator of which shall be \$8.00 (the

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"Modified Pro Rata Number"), and the remaining Restricted Shares in excess of the lesser of the Pro Rata Number and the Modified Pro Rata Number shall be forfeited in accordance with this paragraph 5(a) or, if the Original Number with respect to which restrictions have lapsed pursuant to paragraph 3 hereof prior to such termination of employment exceeds the Pro Rata Number, all remaining Restricted Shares in excess of such Original Number with respect to which restrictions have lapsed pursuant to paragraph 3 hereof shall be forfeited in accordance with this paragraph 5(a). For purposes of this Agreement, a transfer of employment from the Company to a subsidiary or from a subsidiary to the Company or between subsidiaries shall not be deemed a termination of employment.

(b) If Restricted Shares are forfeited for any of the reasons stated in paragraph 5(a) hereof, such forfeiture shall be effective upon the occurrence of the event giving rise to the forfeiture. The Employee agrees to repay to the Company all dividends, if any, paid after such event with respect to the Restricted Shares which have been forfeited.

(c) If at any time the Employee forfeits any Restricted Shares pursuant to this Agreement, the Employee agrees to return the certificate or certificates for such Restricted Shares to the Company duly endorsed in blank or accompanied by a stock power duly executed in blank.

(d) Determination as to whether an event has occurred resulting in the forfeiture of, or lapse of restrictions on, Restricted Shares, in accordance with this Agreement, shall be made by the Company's Management Compensation Committee, and all determinations of the Committee shall be final and conclusive.

6. NOTICES. (a) Any notice to the Company pursuant to any provision of this Agreement will be deemed to have been delivered when delivered in person to the Secretary of the Company or when deposited in the United States mail as certified or registered mail, return receipt requested, addressed to the Secretary of the Company at the executive offices of Allen Telecom Inc., at 25101 Chagrin Boulevard, Beachwood, Ohio 44122, or such other address as the Company may from time to time designate in writing by notice to the Employee given pursuant to paragraph 6(b) below.

(b) Any notice or demand to the Employee pursuant to any provision of this

Agreement will be deemed to have been delivered to the Employee when delivered to the Employee in person or when deposited in the United States mail as certified or registered mail, return receipt requested, addressed to the Employee at the Employee's address given at the end of this Agreement or the Employee's address on the stockholder records of the Company or such other address as the Employee may from time to time designate in writing by notice to the Company given pursuant to paragraph 6(a) above.

7. COMPANY RIGHT TO TERMINATE EMPLOYMENT AND OTHER REMEDIES. Nothing provided herein shall be construed to affect in any way the right or power of the Company, subject to the provisions of any other written agreement between the Employee and the Company relating to the subject matter, to terminate the Employee's employment as an employee of or a consultant to the Company at any time for any reason with or without cause, nor to preclude the Company from taking any action or enforcing any remedy available to it with respect to any action or conduct on the Employee's part.

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8. ADDITIONAL DOCUMENTS. (a) It is the intention of the Company that this award of Restricted Shares shall meet the requirements of, and result in the application of, the rules prescribed by Section 83 of the Code and applicable Regulations thereunder. Accordingly, each and every provision shall be construed and interpreted in such manner as to conform with such intention and the Company reserves the right to execute and to require the Employee to execute any further agreements or other instruments, which may be effective as of the date of the award of the Restricted Shares covered by this Agreement, including, but without limitation, any instrument modifying or correcting any provision hereof, or any action taken hereunder or contemporaneously herewith, and to take any other action, which may be effective as of the date of the award of the Restricted Shares covered by this Agreement, that, in the opinion of counsel for the Company, may be necessary or desirable to carry out such intention.

(b) If the Employee fails, refuses or neglects to execute and deliver any instrument or document or to take any action requested by the Company to be executed or taken by the Employee pursuant to the provisions of paragraph 8(a) above for a period of thirty (30) days after the date of such request, the Company may require the Employee, within ten (10) days after delivery to the Employee of a written demand by the Company, to forfeit all Restricted Shares then held by the Employee.

9. SUCCESSORS AND ASSIGNS. The provisions of this Agreement shall be binding upon and inure to the benefit of the Company, its successors and assigns, and the Employee and, to the extent applicable, the Employee's legal representative.

10. GOVERNING LAW. The validity, interpretation, performance and enforcement of this Agreement and the Employee's rights in, to and under the Restricted Shares

shall for all purposes be governed by the laws of the State of Delaware without giving effect to the principles of conflicts of laws thereof.

11. 1992 STOCK PLAN. The provisions hereof shall be subject to all the terms, provisions and conditions of the Plan (as amended from time to time by the Board of Directors of the Company within the limitations permitted by the Plan) and the rules and regulations relating to the Plan prescribed by the Management Compensation Committee of the Company, and this Agreement and the Plan and said rules and regulations relating thereto shall be construed as one instrument and in the event of any inconsistency the provisions of the Plan as interpreted and construed by the Management Compensation Committee shall control.

ALLEN TELECOM INC.

By /s/

Member
Management Compensation Committee

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ACCEPTANCE. The Restricted Shares of Common Stock of Allen Telecom Inc. awarded to the undersigned Employee under the foregoing Restricted Stock Agreement and the 1992 Stock Plan are hereby accepted on the terms and subject to the conditions of such Restricted Stock Agreement and 1992 Stock Plan.

Employee's Signature

(Employee's Address)

Employee's Social Security
Number

INSTRUCTION. Employee should sign and print his address and social security number in the spaces provided above, which serves as the Employee's acceptance of the Restricted Shares.

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ALLEN TELECOM INC.

25101 Chagrin Boulevard

Beachwood, Ohio 44122

September 9, 1998

Dear :

Allen Telecom Inc. (the "Corporation") considers it essential to the best interests of its stockholders to foster the continuous employment of key management personnel. In this connection, the Board of Directors of the Corporation (the "Board") recognizes that, as is the case with many publicly held corporations, the possibility of a change in control of the Corporation may exist and that such possibility, and the uncertainty and questions which it may raise among management, may result in the departure or distraction of management personnel to the detriment of the Corporation and its stockholders.

The Board has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Corporation's management, including yourself, to their assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a change in control of the Corporation. It is also the intention of the Board to provide financial assistance to you in certain other circumstances under which your employment with the Corporation terminates.

In order to induce you to remain in the employ of the Corporation, the Corporation agrees that you shall receive the severance benefits set forth in this letter agreement (the "Agreement") in the event your employment with the Corporation is terminated under the circumstances described below.

1. TERM OF AGREEMENT. This Agreement shall commence on September 9, 1998, and shall continue in effect through December 31, 2001; PROVIDED, HOWEVER, that commencing on January 1, 1999, and each January 1 thereafter, the term of this Agreement shall automatically be extended for one additional year unless, not later than September 30 of the preceding year, the Corporation shall have given notice that it does not wish to extend this Agreement; and PROVIDED, FURTHER, that if a change in control of the Corporation, as defined in Section 3, shall have occurred during the original or extended term of this Agreement, this

Agreement shall continue in effect for a period of not less than 24 months beyond the month in which such change in control occurred. In no event, however, shall the term of this Agreement extend beyond the end of the calendar month in which your 65th birthday occurs.

2. COMPENSATION UPON TERMINATION PRIOR TO A CHANGE IN CONTROL. (i) Prior to a change in control of the Corporation, if your employment by the Corporation shall be terminated by the Corporation other than for Cause or Disability (as these terms are defined in Subsections 4(iii) and 2(ii), respectively), then you shall be entitled to the benefits provided below:

(a) the Corporation shall pay to you your full base salary through the Date of Termination, at the rate in effect at the time Notice of Termination is given (as these terms are defined in Subsections 4(vi) and 4(v), respectively), no later than the fifth day following the Date of Termination, plus accrued vacation pay and all other amounts to which you are entitled under any compensation plan of the Corporation, at the time such payments are due;

(b) in lieu of any further salary payments to you for periods subsequent to the Date of Termination, the Corporation shall pay as severance pay to you, in regular pay periods until completely disbursed, total severance pay equal to the sum of (1) six months of your monthly base salary as in effect as of the Date of Termination and (2) the amount of such monthly base salary multiplied by the number of your completed years of full-time employment with the Corporation as of the Date of Termination; PROVIDED, HOWEVER, that in no event shall the severance payments exceed 18 months' base salary; and

(c) during the period in which you are receiving the severance payments the Corporation shall arrange to provide you with life, disability, accident and group health insurance benefits substantially similar to those which you were receiving immediately prior to the Notice of Termination; PROVIDED, HOWEVER, that you will no longer be deemed to be an "employee" for purposes of the Corporation's 1992 Stock Plan, 1982 Stock Plan, Employee Before-Tax Savings Plan, Restricted Shares of common stock awarded under the 1992 Stock Plan or Corporate Retirement Plan or any successor plans thereto. Benefits otherwise receivable by you pursuant to this paragraph (c) shall be reduced to the extent comparable benefits are actually received by you from any other source during such period, and any such benefits actually received by you shall be reported to the Corporation. The use of any automobile furnished to you by the Corporation shall continue until the earlier of (1) the date that is six months after the Date of Termination or (2) the date you obtain employment with another employer, and you agree that you will not remove such automobile from the state in which you were last employed by the Corporation, and that upon any such removal the Corporation shall be entitled to immediate possession of such automobile and shall no longer furnish the use of such automobile to you.

(ii) DISABILITY. Your employment may be terminated for "Disability"

pursuant to this Section 2 (x) if, as a result of your incapacity due to accident or physical or mental illness, you shall not have substantially performed your duties with the Corporation on a full-time basis for six consecutive months, or (y) if you become disabled in a manner that shall prevent you from performing your duties with the Corporation, and within 30 days after written notice of termination is given you shall not have returned to the full-time performance of your duties.

(iii) NONCOMPETITION. Benefits payable under this Section 2 shall be forfeitable and shall be discontinued in the event that you engage in a "Competitive Activity" or engage in conduct which is materially injurious to the Corporation, monetarily or otherwise. A "Competitive Activity" shall mean activity, without the written consent of an authorized officer of the Corporation, consisting of your participation in the management of, or acting as a consultant for or employee of, any business operation of any enterprise if such operation (a "Competitive Operation") is then in substantial and direct competition with a principal business operation of the Corporation, at the Date of Termination. A "Competitive Activity" shall not include (a) the ownership of securities in any enterprise or of not more than five percent of the outstanding securities of a "Competitive Operation", or (b) the participation in the management of, or acting as a consultant for or employee of, any enterprise or any business operation thereof, other than in connection with a "Competitive Operation" of such enterprise.

(iv) MITIGATION. Severance benefits payable under Section 2(i)(b) in excess of six months' salary shall be reduced by any salary received by you from another employer and any consulting compensation received by you from a prospective employer (other than consulting compensation received by an independent consulting business conducted by you) during the period during which you are receiving benefits under Section 2(i)(b), and any such salary or consulting compensation received by you shall be reported by you to the Corporation.

3. CHANGE IN CONTROL. Except as provided in Section 2, no benefits shall be payable hereunder unless there shall have been a change in control of the Corporation, as set forth below. For purposes of this Agreement, a "change in control of the Corporation" shall be deemed to have occurred if:

(i) any "person", as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), (other than the Corporation, any trustee or other fiduciary holding securities under an employee benefit plan of the Corporation, or any corporation owned, directly or indirectly, by the stockholders of the Corporation in substantially the same proportions as their ownership of stock of the Corporation), is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Corporation representing 30 percent or more of the combined voting power of the Corporation's then outstanding securities;

(ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board, and any new director (other than a director designated by a person who has entered into an agreement with the Corporation to effect a transaction described in clause (i), (iii) or (iv) of this Section) whose election by the Board or nomination for election by the Corporation's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority thereof;

(iii) the stockholders of the Corporation approve a merger or consolidation of the Corporation with any other corporation, other than (a) a merger or consolidation which would result in the voting securities of the Corporation outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 80 percent of the combined voting power of the voting securities of the Corporation or such surviving entity outstanding immediately after such merger or consolidation or (b) a merger or consolidation effected to implement a recapitalization of the Corporation (or similar transaction) in which no "person" (as hereinabove defined) acquires more than 30 percent of the combined voting power of the Corporation's then outstanding securities; or

(iv) the stockholders of the Corporation approve a plan of complete liquidation of the Corporation or an agreement for the sale or disposition by the Corporation of all or substantially all of the Corporation's assets.

4. TERMINATION FOLLOWING CHANGE IN CONTROL.

(i) GENERAL. If any of the events described in Section 3 constituting a change in control of the Corporation shall have occurred, you shall be entitled to the benefits provided in Section 5(iii) upon the subsequent termination of your employment during the term of this Agreement unless such termination is (a) because of your death or Disability (as such term is defined in Subsection 4(ii) below), (b) by the Corporation for Cause, or (c) by you other than for Good Reason.

(ii) DISABILITY. Notwithstanding Subsection 4(i), you may not be terminated for "Disability" pursuant to this Section 4 unless, as a result of your incapacity due to accident or physical or mental illness, you shall not have substantially performed your duties with the Corporation on a full-time basis for six consecutive months following the occurrence of a change of control of the Corporation.

(iii) CAUSE. Termination by the Corporation of your employment for "Cause" shall mean termination (a) upon the willful and continued failure by you to substantially perform your duties with the Corporation (other than any such failure resulting from your death or incapacity due to accident or physical or mental illness or any such actual or anticipated failure after the issuance of a Notice of Termination (as defined in Subsection 4(v)) by you for Good Reason (as defined in Subsection 4(iv))), after a written demand for substantial performance is delivered to you by the Board, which demand specifically identifies the manner in which the Board believes that you have not substantially performed your duties, (b) the willful engaging by you in an act or acts of dishonesty constituting a felony under the laws of the United States or any state thereof and resulting or intended to result directly or indirectly in gain or personal enrichment at the expense of the Corporation, or your conviction of a felony under the laws of the United States or any state thereof, or (c) the willful engaging by you in conduct which is demonstrably and materially injurious to the Corporation, monetarily or otherwise. For purposes of this Subsection, no act, or failure to act, on your part shall be deemed "willful" unless done, or

omitted to be done, by you not in good faith and without reasonable belief that your action or omission was in the best interest of the Corporation. Notwithstanding the foregoing, you shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the entire membership of the Board at a meeting of the Board (after reasonable notice to you and an opportunity for you, together with your counsel, to be heard before the Board), finding that in the good faith opinion of the Board you were guilty of conduct set forth above in this Subsection and specifying the particulars thereof in detail.

(iv) GOOD REASON. Termination by you of your employment for "Good Reason" for purposes of Section 5(iii) shall mean, without your express written consent, the occurrence after a change in control of the Corporation of any of the following circumstances unless, in the case of paragraphs (a), (e), (f), (g) or (h), such circumstances are fully corrected prior to the Date of Termination (as defined in Section 4(vi)) given in respect thereof:

(a) the assignment to you of any duties inconsistent with the position with the Corporation that you held immediately prior to the change in control of the Corporation, or a significant adverse alteration in the nature or status of your responsibilities or the conditions of your employment from those in effect immediately prior to such change in control;

(b) a reduction by the Corporation in your annual base salary as

in effect on the date hereof or as it may be increased from time to time, except for across-the-board salary reductions similarly affecting all management personnel of the Corporation and all management personnel of any person in control of the Corporation;

(c) the relocation of the Corporation's offices at which you are principally employed immediately prior to the date of the change in control of the Corporation to a location more than 25 miles from such location, or the Corporation's requiring you to be based anywhere other than the Corporation's offices at such location, except for required travel on the Corporation's business to an extent substantially consistent with your business travel practices immediately prior to the date of the change in control of the Corporation;

(d) the failure by the Corporation to pay to you any portion of your current compensation or to pay to you any portion of an installment of deferred compensation under any deferred compensation program of the Corporation within seven days of the date such compensation is due;

(e) the failure by the Corporation to continue in effect any material compensation or benefit plan in which you participate immediately prior to the change in control of the Corporation, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or the failure by the Corporation to continue your participation therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount of benefits

provided and the level of your participation relative to other participants, as existed at the time of the change in control of the Corporation;

(f) the failure by the Corporation to continue to provide you with benefits substantially similar to those enjoyed by you under any of the Corporation's life, medical, health and accident, or disability insurance or plans in which you were participating at the time of the change in control of the Corporation, the taking of any action by the Corporation which would directly or indirectly materially reduce any of such benefits, or the failure by the Corporation to provide you with the number of paid vacation days to which you are entitled on the basis of years of service with the Corporation in accordance with the Corporation's normal vacation policy in effect at the time of the change in control of the Corporation;

(g) the failure of the Corporation to obtain a satisfactory agreement from any successor to assume and agree to perform this

Agreement, as contemplated in Section 6 hereof; or

(h) any purported termination of your employment that is not effected pursuant to a Notice of Termination satisfying the requirements of Subsection (v) hereof (and, if applicable, the requirements of Subsection (iii) hereof), which purported termination shall not be effective for purposes of this Agreement. Your right to terminate your employment pursuant to this Subsection shall not be affected by your incapacity due to accident or physical or mental illness. Your continued employment shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Good Reason hereunder.

(v) NOTICE OF TERMINATION. Any purported termination of your employment by the Corporation or by you shall be communicated by written Notice of Termination to the other party hereto in accordance with Section 7. "Notice of Termination" shall mean a notice that shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of your employment under the provision so indicated.

(vi) DATE OF TERMINATION, ETC. "Date of Termination" shall mean (a) if your employment is terminated for Disability, 30 days after Notice of Termination is given (provided that you shall not have returned to the full-time performance of your duties during such 30-day period), and (b) if your employment is terminated pursuant to Subsection (iii) or (iv) hereof, or pursuant to Section 2, or for any other reason (other than Disability), the date specified in the Notice of Termination (which, in the case of a termination for Cause shall not be less than 30 days from the date such Notice of Termination is given, and in the case of a termination for Good Reason shall not be less than 15 nor more than 60 days from the date such Notice of Termination is given); PROVIDED, HOWEVER, that if within 30 days after any Notice of Termination is given following a change in control of the Corporation, the party receiving such Notice of Termination notifies the other party that a dispute exists concerning the termination, then the Date of Termination shall be the date on which the dispute is finally determined, whether by

mutual written agreement of the parties, by a binding arbitration award, or by a final judgment, order or decree of a court of competent jurisdiction (which is not appealable or with respect to which the time for appeal therefrom has expired and no appeal has been perfected); and PROVIDED, FURTHER, that the Date of Termination shall be extended by a notice of dispute only if such notice is given in good faith and the party giving such notice pursues the resolution of such dispute with reasonable diligence. Notwithstanding the pendency of any such

dispute, if the Notice of Termination is given following a change in control of the Corporation, the Corporation will continue to pay you your full compensation in effect when the notice giving rise to the dispute was given (including, but not limited to, base salary) and continue you as a participant in all compensation, benefit and insurance plans in which you were participating when the notice giving rise to the dispute was given, until the dispute is finally resolved in accordance with this Subsection; PROVIDED, HOWEVER, that you will no longer be deemed to be an "employee" for purposes of the Corporation's 1992 Stock Plan, 1982 Stock Plan, Employee Before-Tax Savings Plan, Restricted Shares of common stock awarded under the 1992 Stock Plan or Corporate Retirement Plan or any successor plans thereto. Amounts paid under this Subsection are in addition to all other amounts due under this Agreement, and shall not be offset against or reduce any other amounts due under this Agreement and shall not be reduced by any compensation earned by you as the result of employment by another employer.

5. COMPENSATION UPON TERMINATION OR DURING DISABILITY FOLLOWING A CHANGE IN CONTROL. Following a change in control of the Corporation, you shall be entitled to the following benefits during a period of disability, or upon termination of your employment, as the case may be, provided that such period or termination occurs during the term of this Agreement:

(i) During any period that you fail to perform your full-time duties with the Corporation as a result of incapacity due to accident or physical or mental illness, you shall receive all compensation payable to you under the Corporation's disability plan or program or other similar plan during such period, until this Agreement is terminated pursuant to Section 4(ii) hereof. Thereafter, or in the event your employment shall be terminated by reason of your death, your benefits shall be determined under the Corporation's retirement, insurance and other compensation programs then in effect in accordance with the terms of such programs.

(ii) If your employment shall be terminated by the Corporation for Cause or by you other than for Good Reason, the Corporation shall pay you your full base salary through the Date of Termination, at the rate in effect at the time Notice of Termination is given, no later than the fifth day following the Date of Termination, plus accrued vacation pay and all other amounts to which you are entitled under any compensation plan of the Corporation at the time such payments are due, and the Corporation shall have no further obligations to you under this Agreement.

(iii) If your employment by the Corporation shall be terminated by you for Good Reason or by the Corporation other than for Cause or Disability, then you shall be entitled to the benefits provided below:

(a) the Corporation shall pay to you your full base salary through the Date of Termination, at the rate in effect at the time Notice of Termination is given, no later than the fifth day following the Date of Termination, plus accrued vacation pay and all other amounts to which you are entitled under any compensation plan of the Corporation at the time such payments are due;

(b) in lieu of any further salary payments to you for periods subsequent to the Date of Termination, the Corporation shall pay as severance pay to you, at the time specified in Subsection (v), a lump sum severance payment (together with the payments provided in paragraph (c) below, the "Severance Payments") equal to the sum of : (1) one year of your annual base salary as in effect as of the Date of Termination or immediately prior to the change in control of the Corporation, whichever is greater; (2) an amount equal to the highest annual incentive compensation paid to you in the three years prior to the Date of Termination; and (3) one tenth of the amounts set forth in clauses (1) and (2), multiplied by the number of your completed years of full-time employment with the Corporation as of the Date of Termination, PROVIDED, that the amounts paid to you under this clause (b) (3) shall not exceed two times the sum of the amounts set forth in clauses (1) and (2);

(c) in lieu of shares of common stock of the Corporation ("Common Shares") issuable upon exercise of outstanding options, other than options qualifying as incentive stock options ("ISOs") under Section 422A of the Internal Revenue Code of 1986, as amended (the "Code"), which ISOs were granted on or before the date hereof ("Options"), and stock appreciation rights ("SARs"), if any, granted to you under the Corporation's 1982 Stock Plan or 1992 Stock Plan, or any successor plan thereto (which Options shall be canceled upon the making of the payment referred to below), the Corporation shall pay to you, at the time specified in Subsection (v), an amount in cash equal to the product of (1) the excess of, in the case of an ISO granted after the date hereof, the closing price of Common Shares as reported on the New York Stock Exchange on or nearest the Date of Termination (or, if not listed on such exchange, on a nationally recognized exchange or quotation system on which trading volume in the Common Shares is highest) and, in the case of all other options, the higher of such closing price or the highest per share price for Common Shares actually paid in connection with any change in control of the Corporation, over the per share option price of each Option held by you (whether or not then fully exercisable), and (2) the number of Common Shares covered by each such Option;

(d) the Corporation shall pay to you all legal fees and expenses incurred by you as a result of such termination (including all such fees and expenses, if any, incurred in contesting or disputing any such termination or in seeking to obtain or enforce any right or benefit provided by this Agreement or in connection with any tax audit or proceeding to the extent attributable to the application of Section 4999 of the Code to any payment or benefit provided hereunder); and

(e) for a period of months after such termination that is equal in number to (1) twelve, plus (2) one-tenth of the number of your completed years of full-time employment with the Corporation as of the Date of Termination multiplied by 12, but in no event exceeding 36 months, the Corporation shall arrange to provide you with life, disability, accident and group health insurance benefits substantially similar to those which you were receiving immediately prior to the Notice of Termination. Benefits otherwise receivable by you pursuant to this paragraph (e) shall be reduced to the extent comparable benefits are actually received by you from any other source during such period following your termination, and any such benefits actually received by you shall be reported to the Corporation.

(iv) Notwithstanding anything to the contrary contained in this Agreement, in the event that, by reason of Section 280G of the Code, any payment or benefit received or to be received by you in connection with a change in control of the Corporation or the termination of your employment whether payable pursuant to the terms of this Agreement or any other plan, arrangement or agreement (the "Contract Payments") with the Corporation, its successors, any person whose actions result in a change in control or any corporation ("Affiliate") affiliated (or which, as a result of the completion of the transactions causing a change in control will become affiliated) with the Corporation within the meaning of Section 1504 of the Code (collectively with the Contract Payments, "Total Payments"), would not be deductible (in whole or in part) by the Corporation, an Affiliate or other person making such payment or providing such benefit, the Severance Payments shall be reduced (and, if Severance Payments are reduced to zero, other Contract Payments shall first be reduced and other Total Payments shall thereafter be reduced) until no portion of the Total Payments is not deductible by reason of Section 280G of the Code. For purposes of this limitation (a) no portion of the Total Payments the receipt or enjoyment of which you shall have effectively waived in writing prior to the date of payment of the Severance Payments shall be taken into account, (b) no portion of the Total Payments shall be taken into account which in the opinion of tax counsel selected by the Corporation's independent auditors and acceptable to you does not constitute a "parachute payment" within the meaning of Section 280G(b) (2) of the Code (without regard to Subsection (A)(ii) thereof), (c) the Severance Payments (and, thereafter, other Contract Payments and other Total Payments) shall be reduced only to the extent necessary so that the Total Payments (other than those referred to in clauses (a) and (b)), in their entirety constitute reasonable compensation for services actually rendered within the meaning of Section 280G(b) (4) of the Code, in the opinion of the tax counsel referred to in clause (b), and (d) the value of any noncash benefit or any deferred payment or benefit included in the Total Payments shall be determined by the Corporation's independent auditors in accordance with the principles of Sections 280G(d) (3) and (4) of the Code.

(v) The payments provided for in paragraphs (b) and (c) above shall be made not later than the fifth day following the Date of Termination; PROVIDED, HOWEVER, that if the amounts of such payments cannot be finally determined on or

before such day, the Corporation shall pay to you on such day an estimate, as determined in good faith by the Corporation, of the minimum amount of such payments and shall pay the remainder of such payments (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code) as soon as the amount thereof can be determined but in no event later than the 30th day after the Date of Termination. In the

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event that the amount of the estimated payments exceeds the amount subsequently determined to have been due, such excess shall constitute a loan by the Corporation to you, payable on the fifth day after demand by the Corporation (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code).

(vi) Except as provided in Subsection (iii)(e) hereof, you shall not be required to mitigate the amount of any payment provided for in this Section 5 by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for in this Section 5 be reduced by any compensation earned by you as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by you to the Corporation, or otherwise.

6. SUCCESSORS; BINDING AGREEMENT. (i) The Corporation will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Corporation to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Corporation would be required to perform it if no such succession had taken place. Failure of the Corporation to obtain such assumption and agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle you to compensation from the Corporation in the same amount and on the same terms to which you would be entitled hereunder if you terminate your employment for Good Reason following a change in control of the Corporation, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination. As used in this Agreement, "Corporation" shall mean the Corporation as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

(ii) This Agreement shall inure to the benefit of and be enforceable by you and your personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If you should die while any amount would still be payable to you hereunder had you continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to your devisee, legatee or other designee or, if there is no such designee, to your estate.

7. NOTICES. For the purpose of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States certified or registered mail, return receipt requested, postage prepaid, or by recognized overnight delivery service, in each case addressed to the respective addresses set forth on the first page of this Agreement, provided that all notices to the Corporation shall be directed to the attention of the Board with a copy to the Secretary of the Corporation, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

8. MISCELLANEOUS. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by

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you and such officer as may be specifically designated by the Board. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the time or at any prior to subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Ohio without regard to its conflicts of law principles. All references to Sections of the Exchange Act or the Code shall be deemed also to refer to any successor provisions to such sections. Any payments provided for hereunder shall be paid notwithstanding any applicable withholding required under federal, state or local law. The obligations of the Corporation under Sections 2 or 5 shall survive the expiration of the term of this Agreement.

9. VALIDITY. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

10. COUNTERPARTS. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

11. ARBITRATION. Following a change in control of the Corporation, any dispute or controversy between the Corporation and you arising under or in connection with this Agreement shall be settled exclusively by arbitration, conducted before a panel of three arbitrators in Cleveland, Ohio, in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction;

PROVIDED, HOWEVER, that you shall be entitled to seek specific performance of your right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection with this Agreement.

12. ENTIRE AGREEMENT. This Agreement sets forth the entire agreement of the parties hereto in respect of the subject matter contained herein and supersedes all other agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any officer, employee or representative of any party hereto including, without limitation, the Corporation's Key Employee Severance Policy; and any other agreement of the parties hereto in respect of the subject matter contained herein is hereby terminated and canceled.

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If this letter sets forth our agreement on the subject matter hereof, kindly sign and return to the Corporation the enclosed copy of this letter, which will then constitute our agreement on this subject.

Sincerely,

ALLEN TELECOM INC.

By: -----
Robert G. Paul
President and Chief Executive Officer

Agreed to this day of , 1998

[Employee's Name]

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EXHIBIT 11

ALLEN TELECOM INC.
STATEMENT RE COMPUTATION OF EARNINGS PER COMMON SHARE

Net income (loss) and common shares used in the calculation of earnings per common share for the five years ended December 31, 1998 were computed as follows (amounts in thousands).

<TABLE>
<CAPTION>

| | For the Years Ended December 31, | | | | |
|--|----------------------------------|------------------|------------------|------------------|-------------------|
| | 1994 | 1995 | 1996 | 1997 | 1998 |
| <S> | --- | --- | --- | --- | --- |
| EARNINGS: | <C> | <C> | <C> | <C> | <C> |
| Net income (loss) applicable to common stock - Basic | \$29,194 | \$32,639 | \$13,066 | \$23,349 | (\$10,222) |
| Add: Convertible debenture interest | 296 | - | - | - | - |
| Net income (Loss) - Diluted | \$29,490 | \$32,639 | \$13,066 | \$23,349 | (\$10,222) |
| COMMON SHARES: | ===== | ===== | ===== | ===== | ===== |
| Weighted average common Shares outstanding - Basic | 25,574 | 26,166 | 26,470 | 26,920 | 27,220 |
| Additional common shares issuable for: | | | | | |
| Assumed exercise of stock options | 496 | 754 | 590 | 420 | 150 |
| Convertible securities | 356 | 125 | - | - | - |
| Common shares - Diluted | 26,426 | 27,045 | 27,060 | 27,340 | 27,370 |

</TABLE>

ALLEN TELECOM INC.

ANNUAL REPORT 1998

Board of Directors

Philip Wm. Colburn
 Chairman of the Board,
 Allen Telecom Inc.

J. Chisholm Lyons
 Vice Chairman of the Board,
 Allen Telecom Inc.,
 Counsel to Smith Lyons,
 Toronto, Ontario, Canada

Jill K. Conway
 Visiting Scholar,
 Program in Science,
 Technology and Society,
 Massachusetts Institute
 of Technology,
 Cambridge, Massachusetts

Albert H. Gordon
 Advisor and Director,
 Deltec, Inc.,
 New York, New York

William O. Hunt
 Chairman of the Board,
 Intelllicall Inc.
 Chairman of the Board,
 Internet America, Inc.
 Dallas, Texas

John F. McNiff
 Vice President - Finance and Director,
 Dover Corporation,
 New York, New York

Robert G. Paul
 President and
 Chief Executive Officer,
 Allen Telecom Inc.

Martyn F. Roetter
 Vice President,
 Communications and Information Technology,
 Arthur D. Little. Inc.,
 Cambridge, Massachusetts

Charles W. Robinson
 Chairman,
 Robinson & Associates Inc.,
 Santa Fe, New Mexico

Gary B. Smith
 Management Consultant
 Cornelius, North Carolina

William M. Weaver, Jr.
 Limited Partner Emeritus,
 Alex, Brown & Sons
 Incorporated,
 New York, New York

Management

Robert G. Paul
President and
Chief Executive Officer

Robert A. Youdelman
Executive Vice President,
Chief Financial Officer

McDara P. Folan, III
Vice President, Secretary
and General Counsel

James L. LePorte, III
Vice President and Controller

Peter de Villiers
Vice President, Strategic Development

Roger Schroeder
Treasurer and Assistant Secretary

Andrea Casini
Managing Director, Tekmar Sistemi S.r.l.

Kenton S. Day
President, Signal Science, Incorporated

Terry N. Garner
President,
Grayson Wireless

F. Kim Goryance
President,
Antenna Specialists

Peter Mailandt
President,
Decibel Products

Jack Powell
Chairman,
Telia S.A.

Douglass R. Hall
President,
Comsearch

Karl-Heinz Schmidt
President,
MIKOM Worldwide Systems

Gianpiero Villa
President,
Worldwide Site Products

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SAFE HARBOR CAUTIONARY STATEMENT

Statements included in this Annual Report which are not historical in nature are forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements regarding the Company's future performance and financial results are subject to

certain risks and uncertainties that could cause actual results to differ materially from those set forth in the forward-looking statements. Allen Telecom Inc.'s Annual Report on Form 10-K and Quarterly Reports on Form 10-Q contain certain detailed factors that could cause the Company's actual results to materially differ from forward-looking statements made by the Company, including, among others, the costs and timetable for new product development, the health and economic stability of the world and national markets, the uncertain level of purchases by current and prospective customers of the Company's products and services, the impact of competitive products and pricing, the successful discovery and correction of potential "Year 2000" computer sensitive problems by both the Company and its key suppliers and customers, and other transactions.

THE YEAR AT A GLANCE

<TABLE>
<CAPTION>

| <S> | 1998 | 1997 |
|--|-----------------|----------------|
| <C> | | <C> |
| FINANCIAL HIGHLIGHTS | | |
| Sales | \$ 388,004,000 | \$ 432,508,000 |
| Income (Loss) Before Income Taxes and Minority Interests | (\$ 8,554,000) | \$ 46,713,000 |
| Income (Loss) From Continuing Operations | (\$ 5,512,000) | \$ 23,981,000 |
| Net Income (Loss) | (\$ 10,222,000) | \$ 23,349,000 |
| Return On Equity | (4.0%) | 9.4% |
| Financial position, year-end: | | |
| Stockholders' Equity | \$ 250,081,000 | \$ 260,822,000 |
| Working Capital | \$ 133,465,000 | \$ 111,015,000 |
| Shares Outstanding | 27,473,000 | 27,298,000 |
| PER COMMON SHARE: | | |
| Basic: | | |
| Income (Loss) From Continuing Operations | (\$.21) | \$.89 |
| Net Income (Loss) | (\$.38) | \$.87 |
| Diluted: | | |
| Income (Loss) From Continuing Operations | (\$.21) | \$.88 |
| Net Income (Loss) | (\$.38) | \$.86 |
| Book Value per share | \$9.10 | \$9.55 |

</TABLE>

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LETTER TO SHAREHOLDERS

After a long period of revenue growth as a wireless telecommunications equipment supplier, Allen Telecom suffered diminished sales and its first loss from telecom operations since 1983. The single largest impact on revenue for the year was the dramatic weakening in the economies of a number of the Southeast Asian countries. Southeast Asia has represented the fastest growing market for wireless telecommunications equipment during the last few years. The sudden disappearance of this market impacted our shipment of product to those countries and also contributed to a major excess inventory situation at our wireless OEM customers, particularly in Europe. They significantly reduced their 1998 purchases of components from our site products division as they worked through their inventory. The second half of 1998 was considerably weaker than the first half.

During the year, in reaction to the slowdown and significant pricing and margin pressure resulting from industry overcapacity, the Company took major actions to reduce costs. Employee levels were reduced to offset lower sales. Certain products were discontinued during the year where insufficient sales or prospects in those areas indicated that it was time to stop the development efforts and accept the costs of that decision. As a result of these actions, the Company took substantial restructuring write-offs during the year.

Sales for the year were \$388 million, down 10% from \$433 million in 1997. The loss from continuing operations in 1998 was \$5.5 million or \$.21 per share. The net loss for the year was \$10.2 million, or \$.38 per share, compared to a \$23.3 million profit and \$.86 per share last year. In addition to the after-tax restructuring charges of \$12.6 million incurred during the year, earnings were hurt most significantly by lower gross profit percentages which declined from 34.9% in 1997 to 24.4% in 1998, both of which include the appropriate restructuring costs. The Company is hopeful of making a significant improvement in these margins in 1999.

Operating costs were reduced during the year with the full impact being

realized in 1999. In addition to these cost reductions, the Company has streamlined its organization structure for quicker response and decision making. Because of the global nature of wireless telecommunications, we combined three of our previously independent operating units with common, or in a few cases, competing products, into a single global product offering. This business is now headquartered in Germany and offers a unified family of products for our worldwide customers.

We have announced, after year end, the sale of Marta, our discontinued emissions testing business, and we expect to report a small gain when the transaction is completed. This will end a major distraction for the Company. It is anticipated that the restructuring actions taken during 1998, the sale of Marta, and some expected growth in the marketplace in the second half of 1999 will all contribute to a welcome turnaround this year.

We are quite optimistic about the future of our industry, and we believe that we will play a significant part in its growth. Cell phones have achieved only a 24% penetration of the population in the U.S. - far lower than in many other countries including Finland, Sweden, Italy, Japan, Israel and Hong Kong where the penetration rates are from 35% to 50% and are rising rapidly. In Finland, 53% of all residents are mobile phone customers. Furthermore, the quality of voice transmission is spotty in the U.S. and will have to improve. Local coverage is uneven because carriers have not deployed sufficient cell sites to achieve optimum coverage. The industry claims that only 2% of calls do not go through, but that equates to 92 million failed calls every month!

We believe that the incomplete cellular networks in a growing marketplace and the many complaints of unacceptable service by users will eventually translate into a renewed demand for our products in the U.S. Many other parts of the world lag in wireless phone penetration far behind the U.S., not to mention Finland, Italy, and others. The rapid or extensive deployment of wireless communications systems in these lagging areas should lead to a greater growth opportunity for Allen Telecom.

Beyond these opportunities for growth, in what is called narrow band systems, the industry is in the early stages of development of 3G or the third generation. The 3G technology will provide more spectrum so that mobile users can send and receive e-mail, data, video, and other services. This will require an overlay of equipment on the

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current network and presents many new opportunities for the deployment of Allen Telecom equipment. Eventually, it could mean deployment of new equipment everywhere that mobile systems now exist.

While technology standards are still being debated, work has begun at some Allen Telecom businesses and at our OEM customers to design 3G product. 3G is expected to start having a meaningful impact on the Company's revenues in 2001 or 2002.

Allen Telecom expects to benefit sooner from its Geo-location investments than from 3G. Geolocation is the system necessary to meet the FCC requirement of locating any mobile caller dialing 911 so as to know where to send help. The "network solution" that we are developing involves the installation of equipment at most every cell-site. The FCC mandate calls for this system to be deployed by October 2001. If our technology is successful, we should begin recognizing revenues in 2000 and booking orders in the latter part of 1999. Industry sources predict the market for E911 equipment to be in the billions of dollars.

It would not be appropriate to end this letter without our personal thanks to three individuals who have contributed immensely to Allen Telecom. The retirement of Albert Gordon and William Weaver ends a combined 56 years of service on the Allen Board and an immeasurable amount of career experience and knowledge, which they have unstintingly shared. William Hunt is also retiring from the Board after more than 5 years of service. We have always respected the counsel of Mr. Gordon, Mr. Weaver and Mr. Hunt, appreciated their support and enjoyed their company.

/s/ Philip Wm. Colburn

Philip Wm. Colburn
Chairman of the Board

/s/ Robert G. Paul

Robert G. Paul
President and
Chief Executive Officer

[PHOTO]
Robert G. Paul (left), and Philip Wm. Colburn

[BAR GRAPH]
<TABLE>
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SALES FROM CONTINUING OPERATIONS
(MILLIONS OF DOLLARS)
<S> <C>
94 \$213.5
95 \$306.6
96 \$369.5
97 \$432.5
98 \$388.0
</TABLE>

[BAR GRAPH]

<TABLE>
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RESEARCH & DEVELOPMENT AND NEW
PRODUCT ENGINEERING COSTS
(MILLIONS OF DOLLARS)
<S> <C>
94 \$ 8.9
95 \$17.0
96 \$21.0
97 \$30.4
98 \$30.7
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[BAR GRAPH]
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% OF SALES
<S> <C>
94 4.2%
95 5.5%
96 5.7%
97 7.0%
98 8.0%
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[BAR GRAPH]

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INCOME BEFORE TAXES AND MINORTIY INTERESTS
(MILLIONS OF DOLLARS)
<S> <C>
94 \$31.5
95 \$50.4
96 \$46.5
97 \$46.7
98 \$(8.6)
</TABLE>

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WORLDWIDE SITE PRODUCTS

Worldwide Site Products manufactures cell site subsystems and component parts, and sells them to OEMs and cellular/PCS service providers. Our equipment can be found in cell sites in almost every country where wireless systems are deployed. I see our core expertise as the integration of filters, amplifiers and combiners to allow a wireless system to coexist with other wireless services and not interfere with or be interfered by other services. Our filters permit only chosen frequencies to pass to the base station in order to enhance call clarity. Combiners allow multiple radio frequency channels to efficiently employ fewer antennas, while amplifiers magnify signals to and from portable phones.

During 1998, in recognition of the increasing globalization of our customers, we merged the previously independent European and North American Worldwide Site Products businesses under a single management. By integrating our research and development activities and manufacturing facilities on both sides of the Atlantic, we are able to address, we have come together as a single division over the past year, showing a willingness to work together toward a common goal. I believe the synergies and differences of our North American and European operations bring significant value to our division.

The wireless electronic component market is constantly changing and consolidating. Our goal is to remain the leading supplier of electronic base station components and subsystems to the wireless industry. To achieve this goal, we invest a significant amount of our net profit in research and development.

The primary focus of our research and development effort is to develop new products and techniques in order to better solve problems for our customers. We emphasize research on new technologies and materials for competitive state-of-the-art products that exceed the quality specifications of our customers. We have developed new, flexible, manufacturing processes to improve production schedules and product quality. We are testing new techniques for reducing the cost of tuning and testing by utilizing full automation. To meet our customers' future expectations, we have made extensive investments in engineering and technical expertise to support the design and development of highly integrated multi-function products. During the year, we also implemented new production and logistic methods to provide prompt, cost efficient product delivery for our customers.

Worldwide Site Products has a significant share of the global component market for all protocols (AMPS, CDMA, GSM, DCS, and PCS). Although most OEMs over the past several years have reduced the number of their suppliers, we continue to supply most of the major OEMs, including Motorola, Nokia, Nortel, Alcatel, Lucent and Siemens. Each of these OEM's has selected Allen Telecom's Worldwide Site Products as a strategic supplier for present and future product generations.

The product lines, which show the greatest potential for future growth, are integrated combiners with very selective filters, and low noise and multi-carrier power amplifiers (MCPA) with sophisticated control systems and powerful software. The most exciting new business opportunity lies in the introduction of the next generation of wireless systems for high data rate Internet applications. In the future, we will work toward achieving three critical goals: worldwide presence, strong market share and leading technology.

Born in Milan, Italy, Gianpiero Villa's career has focused on the electronics industry. He worked with Forem for nine years prior to Allen Telecom's initial purchase of FOREM S.p.A. in 1994. He was named President of Worldwide Site Products in 1998. He resides in Milan, Italy.

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8

DECIBEL PRODUCTS DIVISION

Decibel Products participates in several complementary wireless component market segments. From low band, VHF, UHF, cellular and PCS/DCS to trunking and paging, we design and manufacture base station antennas, cable connectors and accessories for public service providers, carriers and OEMs. Our equipment, when combined with OEM base station and switching equipment, provides a total wireless system solution.

Decibel Products, along with our sister mobile antenna company, Antenna Specialists, has been a primary supplier to the wireless industry for over 50 years. Recently, our market has become highly competitive as many new, though smaller companies, have entered the business in anticipation of a larger United States and international market than has actually materialized. There are now at least 28 base station antenna manufacturers and over 100 mobile antenna manufacturers competing on a worldwide basis. As a result of this significant increase in competition, the industry is suffering from overcapacity and unit price declines.

My challenge for 1999 is to grow our business in this tough operating environment. Over the years, we have established ourselves as a reliable, high quality producer. Now our goal is to be among the lowest cost producers worldwide. To achieve our goal of strenuously reducing costs, we have streamlined our production process. We are working to maintain the current volume level and focusing on global manufacturing in multiple locations.

The unit growth rate for base station antennas worldwide is projected to be single digits over the next several years. However, in China and Latin America demand is expected to grow between 20-25% during the same time frame. Our plants in China and Brazil will provide for growth opportunities in our antenna business over the next five years. Our production costs are lower at these facilities, which allows us to provide local service with quick turnaround time for our OEM customers, meet local content requirements and add value in the local market. In addition, our manufacturing facilities in China and Brazil provide distribution to neighboring countries in Asia and Latin America at a reduced cost.

I am proud of the technology enhancements we've implemented to increase the functionality of our products. The new advanced antennas - such as our new dual band/dual pole antennas, which allow a single antenna to transmit and receive on digital, cellular and PCS frequencies independently - have a higher utility value to our customers particularly with the added field adjustable electrical downtilt. Adding features and functions to our products gives us better pricing flexibility. We have moved quickly to implement these changes. They are important to what I believe is our greatest opportunity for growth over the next

three to five years, the new third generation wideband data services, which are expected to be implemented in 2000 and beyond.

I strongly believe Decibel Products' greatest strength comes primarily from our people and the quality reputation we have in the marketplace with carriers and OEMs worldwide. Short term we anticipate a shakeout in our industry, and we definitely will be a survivor. The framework is in place for us to be among the lowest cost producers. Global manufacturing gives us the ability to offer our customers high quality and reliable products at a reasonable price anywhere in the world. We have the technology, the strategy, the vision and the drive to prosper in this industry.

Dr. Peter Mailandt, born in Berlin, Germany, has been President of Decibel Products for 15 years. He received his M.B.A. from the University of Minnesota and a Ph.D. in Nuclear Physics in 1972. He currently lives in Dallas, TX.

In wireless mobile systems, repeaters are an integral part of an efficient and effective network. Outdoors they provide coverage for rural and isolated areas, extend coverage or fill holes between sites. Indoors they provide excellent coverage for large buildings and major facilities, such as subways and airports at a fraction of the cost of new cell sites.

Our wireless in-building coverage systems are predominantly fiber-based. Fiber offers a number of technical advantages over typical cable distribution systems, such as simple network design, extremely high dynamic range, routing flexibility and multiple frequency band options. Most importantly, our system is easy to upgrade to support new technologies, regardless of what they are, because of fiber's broadband characteristics. The need for sufficient capacity, seamless coverage in indoor areas and limited frequency resources will trigger the growth of more fiber-based active coverage systems.

For outdoor signal coverage, the implementation of any repeater requires a minimum margin of antenna isolation. The most common method of achieving antenna isolation today is physical separation. However, this solution has become more difficult to implement as local zoning laws and smaller cell sites prohibit towers tall enough to provide the required antenna isolation. To solve this problem MIKOM developed Interference Cancellation Equipment (or ICE(TM)) equipped repeaters. These specially equipped repeaters are designed to provide electronic isolation within the repeater. This feature allows our repeaters to be installed at sites where it was previously not possible due to physical constraints. ICE(TM) equipped repeaters make installation and operation easier for our customers.

Product line and performance improvements are the main focus of our research and development efforts. We will introduce a variety of new products over the next several years, including equipment in TDMA, CDMA, GSM900 and 1800 specifically designed for improved tunnel and subway coverage, new low power optical distribution systems for base station integration and improved products for our cable booster line.

Longer term we expect in-building coverage systems to grow faster than the outdoor repeater market. We believe that the in-building market will become more project oriented in the future, providing MIKOM with the opportunity to combine our advanced repeater technology with our full-service capabilities. Our goal is to provide customers with a complete wireless in-building communication system from system design, planning and implementation to equipment, optimization and installation. Additionally, the upcoming third generation technology (Wideband CDMA), as well as current narrowband CDMA, offer excellent opportunities for our outdoor repeaters because base stations will have very high capacity and repeaters can increase the efficiency of each cell site.

Today there is no truly regional market left: repeaters have become a global business. It's my job to ensure that we remain well positioned to take advantage of this global opportunity. We have manufacturing facilities in the United States and Europe. We presently have the expertise and research capability to grow in this highly competitive environment, and we also plan to reduce production costs each year for the next three years. We will continue our focus on international sales through our own internal international sales organization. My long-term goal is to build a global service network with turnkey solutions for in-building and outdoor coverage systems with multiple standards and frequency bands.

Karl-Heinz Schmidt started MIKOM G.m.b.H. in May 1985. Allen Telecom acquired its first ownership position in MIKOM in 1994. Allen Telecom appointed Karl-Heinz President of the Company's worldwide systems division and renamed it MIKOM in 1998. Karl-Heinz was born and still resides in Nordlingen, Germany.

TERRY N. GARNER

PRESIDENT

GRAYSON WIRELESS

Grayson Wireless operates in the Personal Communications Systems (PCS), cellular, paging and the Specialized Mobile Radio (SMR) markets. We design, develop and produce hardware platforms and software applications for data collection and analysis in the planning, deployment, optimization and maintenance of telecom networks. We are also working on completing the development of our wireless network solution for the FCC's emergency calling system (E911). Industry growth in the test and measurement business is driven largely by technology issues and changes in technology, such as converting from AMPS systems to CDMA systems, in addition to subscriber growth and network expansion.

Our new 2700 Digital Platform is the most advanced testing technology to reach the market. This platform contains dual-band receivers, digital signal processing and accommodates decoding of all digital and analog standards. Available applications, such as CellWatcher and MarketWatcher, allow users to perform specialized network measurements, such as interference detection and analysis and detailed network traffic statistics.

The overall strength of our E911 geolocation offering lies not just in our technology or cost advantages but also in our total systems capability. We are one of the few suppliers that can offer manufacturing, engineering, installation and network planning. We can deliver superior quality, highly reliable products with better cost control because we do the manufacturing in-house. We are currently conducting engineering field trials for the analog AMPS standard and the digital TDMA standard. Furthermore, we were the first company to announce success in field trials with the CDMA standard. Industry estimates place the cost of implementing E911 in excess of \$2.0 billion, and we believe a large part of this market will be available to us.

Excluding geolocation, our single greatest opportunity for immediate growth is to take advantage of the international marketplace for test and measurement equipment. The most significant change in direction for 1999 is the realignment of our sales resources to better focus on the international market and to improve our technical support resources.

Over the next five years, I expect to see significant changes in the test and measurement business. Changes in the way data is collected and analyzed will require us to develop autonomous products and more sophisticated analysis packages. Continuously changing technologies will require new test and measurement equipment to verify the integrity of systems, such as wideband CDMA and satellite systems. These changes, along with geolocation, will provide opportunities for Grayson Wireless. I know we will be ready to meet these challenges.

Terry Garner started Grayson Wireless with three partners in 1986, after 15 years in the mobile radio industry with General Electric. Allen Telecom acquired a majority interest in 1990. Terry has an electrical engineering degree from Louisiana State University and lives in Lynchburg, VA.

DOUGLASS HALL

PRESIDENT

COMSEARCH

1998 was a very disappointing year for Comsearch. The decline in the domestic PCS market, following the initial build-out by A and B block licensees, caused our consulting and engineering businesses to experience tough price competition and reduced deployment rates. I believe 1999 will be different. We began a significant restructuring program at the end of 1998, streamlining management and our administrative infrastructure and placing the focus on leveraging our unique strengths in the industry to improve profitability. Our reorganization plan emphasized growth in our core businesses where we have significant market share and higher margins, stressed improved flexibility, converted cost centers into revenue generating businesses and focused on reducing our reaction time to market changes.

Despite the problems we faced in 1998, Comsearch has maintained a strong leadership position in our core frequency planning and protection services, where our comprehensive database and engineering tools are key to this profitable business. In the spectrum sharing and microwave relocation area, we see additional opportunities in the new generation mobile satellite services. We are migrating away from the traditional time and materials consulting in our RF engineering services to packaging our services and selling solutions for the

design and optimization of mobile wireless networks. We also will continue to provide software products for engineering design, spectrum sharing and RF planning services. Finally, in addition to using direct and distributed means for selling our products and services domestically and internationally, these offerings will be packaged for access and sale through the Internet.

I intend to grow Comsearch over the next five years by packaging our strengths in microwave frequency coordination and spectrum sharing to provide broader, more effective solutions to the marketplace. We will focus on electronic commerce, data provisioning and data warehousing to satisfy the need for accurate and timely information, which is often the bottleneck to providing effective solutions. Lastly, we will pursue relationships necessary to broaden our portfolio of products and services, including international spectrum management. Our future is limited only by our ability to be creative, to think out of the box. These strategies will refocus Comsearch on our core strengths and build a solid foundation for future growth.

Born in Atlantic City, NJ, Doug Hall started his career in the U.S. Air Force where he specialized in microwave and troposcatter wideband communications systems. Doug joined Comsearch in 1981, was named President in January 1999 and resides in Manassas, VA.

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CONSOLIDATED STATEMENTS OF OPERATIONS
(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

| | 1998 | 1997 | 1996 |
|---|------------------|------------------|------------------|
| | <i><C></i> | <i><C></i> | <i><C></i> |
| For the years ended December 31, 1998, 1997 & 1996 | | | |
| <i><S></i> | | | |
| Sales | \$ 388,004 | \$ 432,508 | \$ 369,498 |
| Costs and Expenses: | | | |
| Cost of sales | 293,404 | 281,591 | 238,401 |
| Selling, general and administrative expenses | 71,672 | 72,671 | 59,053 |
| Research and development and product engineering costs | 30,742 | 30,367 | 21,023 |
| Write-off of acquired in-process research and development costs | -- | -- | 2,662 |
| Other Income, net | 6,065 | 1,885 | 952 |
| Interest and Financing Expenses: | | | |
| Interest expense | (8,276) | (4,505) | (3,773) |
| Interest income | 1,471 | 1,454 | 988 |
| Income (Loss) Before Taxes and Minority Interests | (8,554) | 46,713 | 46,526 |
| Benefit (Provision) for Income Taxes | 5,310 | (17,723) | (19,665) |
| Income (Loss) Before Minority Interests | (3,244) | 28,990 | 26,861 |
| Minority Interests | (2,268) | (5,009) | (6,305) |
| INCOME (LOSS) FROM CONTINUING OPERATIONS | (5,512) | 23,981 | 20,556 |
| ===== Discontinued Operations: | | | |
| Loss from discontinued emissions testing business | -- | -- | (3,766) |
| Loss for disposal of emissions testing business | (4,710) | -- | (3,724) |
| Income (Loss) Before Extraordinary Item | (10,222) | 23,981 | 13,066 |
| Extraordinary Item - Extinguishment of Debt | -- | (632) | -- |
| NET INCOME (LOSS) | (\$ 10,222) | \$ 23,349 | \$ 13,066 |
| ===== EARNINGS (LOSS) PER COMMON SHARE | | | |
| Basic: Income (loss) from continuing operations | (\$.21) | \$.89 | \$.78 |
| Discontinued operations: | | | |
| Loss from discontinued emissions testing business | -- | -- | (.14) |
| Loss for disposal of emissions testing business | (.17) | -- | (.14) |
| Extraordinary item - extinguishment of debt | -- | (.02) | -- |
| Net Income (Loss) | (\$.38) | \$.87 | \$.50 |
| ===== Diluted: Income (loss) from continuing operations | (\$.21) | \$.88 | \$.76 |
| Discontinued operations: | | | |
| Loss from discontinued emissions testing business | -- | -- | (.14) |
| Loss for disposal of emissions testing business | (.17) | -- | (.14) |
| Extraordinary item - extinguishment of debt | -- | (.02) | -- |
| Net Income (Loss) | (\$.38) | \$.86 | \$.48 |
| ===== Weighted average common shares outstanding: | | | |
| Basic | 27,220 | 26,920 | 26,470 |
| Diluted | 27,370 | 27,340 | 27,060 |

</TABLE>

CONSOLIDATED BALANCE SHEETS

(AMOUNTS IN THOUSANDS)

| As of December 31, 1998 & 1997 | 1998 <C> | 1997 <C> |
|---|-------------------|-------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 19,900 | \$ 30,775 |
| Accounts receivable, less allowance for doubtful accounts - 1998, \$3,189; 1997, \$1,934 | 83,739 | 105,714 |
| Inventories | 84,735 | 93,768 |
| Current assets of discontinued emissions testing business | 848 | 1,034 |
| Deferred income taxes | 7,989 | 7,244 |
| Other current assets | 5,752 | 3,501 |
| Total Current Assets | 202,963 | 242,036 |
| Property, Plant and Equipment, net | 61,582 | 60,543 |
| Other Assets: | | |
| Excess of cost over net assets of businesses acquired | 131,939 | 126,923 |
| Assets of discontinued emissions testing business | 24,950 | 32,329 |
| Deferred income taxes | 16,186 | -- |
| Other | 27,965 | 52,602 |
| TOTAL ASSETS | \$ 465,585 | \$ 514,433 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current Liabilities: | | |
| Notes payable and current maturities of long-term obligations | \$ 11,556 | \$ 6,119 |
| Accounts payable | 25,501 | 75,195 |
| Accrued expenses (including accrued wages and commissions - 1998, \$14,108; 1997, \$13,980) | 29,998 | 35,261 |
| Income taxes payable | 837 | 13,197 |
| Deferred income taxes | 1,606 | 1,249 |
| Total Current Liabilities | 69,498 | 131,021 |
| Long-Term Debt | 128,677 | 97,915 |
| Deferred Income Taxes | 429 | 6,818 |
| Other Liabilities | 16,900 | 17,857 |
| Total Liabilities | 215,504 | 253,611 |
| Commitments and Contingencies (Note 5) | -- | -- |
| Stockholders' Equity: | | |
| Common Stock, par value \$1.00; authorized - 50,000 shares; issued - 1998, 29,759; 1997, 29,746; outstanding - 1998, 27,473; 1997, 27,298 | 29,759 | 29,746 |
| Paid-in capital | 180,604 | 180,538 |
| Retained earnings | 59,869 | 70,091 |
| Accumulated other comprehensive income (loss) | (2,255) | 207 |
| Less: Treasury stock - common shares, at cost, 1998, 2,286; 1997, 2,448 shares | (15,985) | (16,992) |
| Unearned compensation | (1,911) | (2,768) |
| Total Stockholders' Equity | 250,081 | 260,822 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 465,585 | \$ 514,433 |

</TABLE>

THE NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

| <TABLE> |
|---------|
|---------|

CONSOLIDATED STATEMENTS OF CASH FLOWS
(AMOUNTS IN THOUSANDS)

For the years ended December 31, 1998, 1997 & 1996

| | 1998 <C> | 1997 <C> | 1996 <C> |
|--|-------------|-------------|-------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Income (loss) from continuing operations | (\$ 5,512) | \$ 23,981 | \$ 20,556 |
| Extraordinary item - extinguishment of debt | -- | (632) | -- |
| | (5,512) | 23,349 | 20,556 |
| Adjustments to reconcile income (loss) to net cash flow: | | | |
| Depreciation | 15,615 | 12,808 | 11,666 |
| Amortization of goodwill | 6,295 | 3,404 | 2,432 |
| Amortization of capitalized software | 2,038 | 2,950 | 2,383 |
| Other amortization | 685 | 571 | 2,006 |
| Deferred income taxes | (10,315) | (8,157) | (2,849) |
| Non-cash charge for acquired in-process research and development | -- | -- | -- |
| Non-cash loss on write-off of capital assets | 17,010 | 6,337 | -- |
| Gain on sale of investments | (16,486) | (1,696) | -- |
| Changes in operating assets and liabilities: | | | |
| Receivables | 24,496 | (14,309) | (13,362) |
| Inventories | 9,928 | (23,954) | (85) |
| Accounts payable and accrued expenses | (26,902) | 16,627 | 7,879 |
| Income taxes payable | (19,287) | (1,712) | 17,095 |
| Other, net | 169 | 1,814 | 3,229 |
| Cash provided (used) by operating activities | (2,266) | 18,032 | 53,612 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Investments in telecommunications companies | (42,103) | (46,135) | (16,909) |
| Capital expenditures | (18,094) | (22,247) | (17,457) |
| Capitalized software product costs | (3,942) | (5,307) | (4,745) |
| Sales and retirements of fixed assets | 334 | 845 | 62 |
| Sale of investments | 16,833 | 1,709 | -- |
| Cash used by investing activities | (46,972) | (71,135) | (39,049) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from (repayment of) long-term borrowings | 36,676 | 65,381 | (2,129) |
| Repayment of long-term notes | -- | (15,000) | -- |
| Exercise of stock options | 342 | 1,428 | 239 |
| Treasury stock sold to employee benefit plans | 1,531 | 1,651 | 1,572 |
| Cash provided (used) by financing activities | 38,549 | 53,460 | (318) |
| Net cash provided (used) by discontinued operations | (2,081) | 7,808 | (6,072) |
| NET CASH PROVIDED (USED) | (12,770) | 8,165 | 8,173 |
| Effect of exchange rate changes on cash | 1,895 | (1,269) | -- |
| Cash and cash equivalents at beginning of year | 30,775 | 23,879 | 15,706 |
| Cash and cash equivalents at end of year | \$ 19,900 | \$ 30,775 | \$ 23,879 |

THE NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

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CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(AMOUNTS IN THOUSANDS)

| FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 & 1996: | Total | Common Stock | Paid-in Capital | Comprehensive Income (Loss) | Retained Earnings | Accumulated Comprehensive Income (Loss) | | Treasury Stock | Unearned Stock Compensation |
|--|------------|-----------------|--------------------|--------------------------------|----------------------|---|------------|-------------------|-----------------------------------|
| | | | | | | <C> | <C> | | |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| BALANCE, JANUARY 1, 1996: | \$ 210,377 | \$ 29,595 | \$ 168,632 | \$ 34,948 | \$ (258) | \$ (18,746) | \$ (3,794) | | |
| Comprehensive income: | | | | | | | | | |
| Net income | 13,066 | -- | -- | \$ 13,066 | 13,066 | -- | -- | -- | -- |
| Other comprehensive loss: | | | | | | | | | |
| Minimum pension liability adjustment | 154 | -- | -- | 154 | -- | -- | -- | -- | -- |
| Foreign currency translation adjustments | (406) | -- | -- | (406) | -- | -- | -- | -- | -- |
| Other comprehensive loss | -- | -- | -- | (252) | -- | (252) | -- | -- | -- |
| Comprehensive income | -- | -- | -- | \$ 12,814 | -- | -- | -- | -- | -- |
| Exercise of stock options | 239 | 36 | 293 | -- | -- | -- | (90) | -- | |
| Treasury stock reissued, 94,339 common shares | 1,572 | -- | 883 | -- | -- | -- | 689 | -- | |
| Restricted stock, net | (16) | (17) | (270) | -- | -- | -- | -- | -- | 271 |

| | | | | | | | |
|--|-------------------|------------------|-------------------|------------------|-------------------|--------------------|-------------------|
| Stock option tax benefits | 82 | -- | 82 | -- | -- | -- | -- |
| Common stock issued in acquisitions | 1,590 | -- | 1,325 | -- | -- | 265 | -- |
| TransPro dividend adjustment | (1,272) | -- | -- | (1,272) | -- | -- | -- |
| Other | (50) | -- | -- | -- | -- | (50) | -- |
| Amortization of unearned compensation | 615 | -- | -- | -- | -- | -- | 615 |
| BALANCE, DECEMBER 31, 1996 | 225,951 | 29,614 | 170,945 | 46,742 | (510) | (17,932) | (2,908) |
| Comprehensive income: | | | | | | | |
| Net income | 23,349 | -- | -- | \$ 23,349 | 23,349 | -- | -- |
| Other comprehensive income: | | | | ----- | | | |
| Unrealized gain on securities | 9,588 | -- | -- | 9,588 | -- | -- | -- |
| Less tax on unrealized gain on securities | (4,027) | -- | -- | (4,027) | -- | -- | -- |
| Net unrealized gain on securities | -- | -- | -- | 5,561 | -- | -- | -- |
| Minimum pension liability adjustment | 206 | -- | -- | 206 | -- | -- | -- |
| Foreign currency translation adjustments | (5,050) | -- | -- | (5,050) | -- | -- | -- |
| Other comprehensive income | -- | -- | -- | 717 | -- | 717 | -- |
| Comprehensive income | -- | -- | -- | \$ 24,066 | -- | -- | -- |
| Exercise of stock options | 1,428 | 110 | 1,889 | -- | -- | (571) | -- |
| Stock option tax benefits | 653 | -- | 653 | -- | -- | -- | -- |
| Treasury stock reissued, 92,268 common shares | 1,651 | -- | 969 | -- | -- | 682 | -- |
| Restricted stock, net | (126) | 22 | 393 | -- | -- | -- | (541) |
| Amortization of unearned compensation | 681 | -- | -- | -- | -- | -- | 681 |
| Common stock issued in acquisitions | 6,514 | -- | 5,716 | -- | -- | 798 | -- |
| Other | 4 | -- | (27) | -- | -- | 31 | -- |
| BALANCE, DECEMBER 31, 1997 | 260,822 | 29,746 | 180,538 | 70,091 | 207 | (16,992) | (2,768) |
| Comprehensive loss: | | | | | | | |
| Net loss | (10,222) | -- | -- | \$ (10,222) | (10,222) | -- | -- |
| Other comprehensive loss: | | | | ----- | | | |
| Unrealized gain on securities in income | (9,588) | -- | -- | (9,588) | -- | -- | -- |
| Less tax on unrealized gain in income | 4,027 | -- | -- | 4,027 | -- | -- | -- |
| Net unrealized gain on securities in income | -- | -- | -- | (5,561) | -- | -- | -- |
| Minimum pension liability adjustment | (240) | -- | -- | (240) | -- | -- | -- |
| Foreign currency translation adjustments | 3,339 | -- | -- | 3,339 | -- | -- | -- |
| Other comprehensive loss | -- | -- | -- | (2,462) | -- | (2,462) | -- |
| Comprehensive loss | -- | -- | -- | \$ (12,684) | -- | -- | -- |
| Exercise of stock options | 342 | 56 | 286 | -- | -- | -- | -- |
| Stock option tax benefits | 138 | -- | 138 | -- | -- | -- | -- |
| Treasury stock reissued, 163,073 common shares | 1,531 | -- | 288 | -- | -- | 1,243 | -- |
| Restricted stock, net | (557) | (43) | (646) | -- | -- | (236) | 368 |
| Amortization of unearned compensation | 489 | -- | -- | -- | -- | -- | 489 |
| BALANCE, DECEMBER 31, 1998 | \$ 250,081 | \$ 29,759 | \$ 180,604 | \$ 59,869 | \$ (2,255) | \$ (15,985) | \$ (1,911) |

</TABLE>

THE NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting policies followed by the Company that materially affect the determination of financial position, results of operations and cash flow are described below.

Accounting Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Basis of Consolidation: The Company's consolidated financial statements include the accounts of all wholly owned and majority owned subsidiaries. Intercompany accounts and transactions have been eliminated. To facilitate preparation of financial statements, the Company's principal European operations are included in the consolidated financial statements on a two-month delayed basis.

Revenue Recognition: Revenues are recorded at the time products are shipped or services are performed. Revenues from software licenses for the Company's

Wireless Engineering Services business are recognized upon delivery of the software if vendor obligations are insignificant and if collectibility is probable. Revenues from post-contract support that are significant and/or unbundled with regards to the initial licensing fee are recognized ratably over the post-contract period.

Cash and Cash Equivalents: Cash equivalents consist of temporary bank deposits and money market instruments with an original maturity of three months or less at the date of purchase. The Company invests its domestic excess cash in bank deposits, money market and tax-exempt securities, which are afforded one of the two highest ratings by nationally recognized ratings firms. Cash held at the Company's foreign subsidiaries is principally invested in bank deposits and money market instruments with maturities less than one month.

Valuation of Inventories: The Company values inventories including materials, labor and overhead at the lower of cost (first-in, first-out) or market. Inventories consisted of the following at December 31, 1998 and 1997 (amounts in thousands):

| | 1998 | 1997 |
|-----------------|----------|----------|
| <S> | <C> | <C> |
| Raw material | \$45,936 | \$49,583 |
| Work-in-process | 19,634 | 24,505 |
| Finished goods | 19,165 | 19,680 |
| | ----- | ----- |
| | \$84,735 | \$93,768 |

</TABLE>

Certain of these inventories pertain to the production of sophisticated equipment that could be subject to technological obsolescence. The Company maintains and periodically revises reserves for excess inventory based on the most current information available of anticipated usage requirements.

Property, Plant and Equipment: Property, plant and equipment is recorded at cost, less accumulated depreciation and amortization. Land improvements, buildings and machinery and equipment are depreciated over their estimated useful lives under the straight-line method. The provision for amortization of leasehold improvements is based on the term of the related lease or the estimated useful lives, whichever is shorter. Property, plant and equipment consisted of the following at December 31, 1998 and 1997 (amounts in thousands):

| | 1998 | 1997 |
|---|-----------|-----------|
| <S> | <C> | <C> |
| Land and improvements | \$ 2,806 | \$ 2,702 |
| Buildings | 27,447 | 26,658 |
| Machinery and equipment | 83,701 | 73,000 |
| Leasehold improvements | 6,921 | 4,904 |
| | ----- | ----- |
| | 120,875 | 107,264 |
| Less accumulated depreciation and amortization | (59,293) | (46,721) |
| | ----- | ----- |
| | \$ 61,582 | \$ 60,543 |

</TABLE>

Computer Software Costs: The Company's policy is to capitalize costs incurred in creating computer software products once technological feasibility is established and to amortize such costs over periods ranging from three to ten years. The Company also capitalizes costs incurred in the development of computerized databases, which are amortized over periods of three to twenty years. The Company reviews the amounts capitalized for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. In 1998, 1997 and 1996, approximately \$3,658,000, \$5,307,000, and \$4,745,000, respectively, of these costs were capitalized and approximately \$1,630,000, \$2,950,000, and \$2,383,000, respectively, were amortized (excluding impairment write-downs of \$5,359,000 in 1998 and \$5,955,000 in 1997). In March 1998, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants issued Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use". This Statement provides guidance on the accounting treatment for certain costs incurred in developing or purchasing software for internal use. The Company will adopt the standard on January 1, 1999, requiring the Company to expense certain costs and capitalize others incurred on a prospective basis. The Company has determined the Statement will not have a material impact on results of operations, financial position or cash flow.

Excess of Cost Over Net Assets of Businesses Acquired (Goodwill): The excess of investments in consolidated subsidiaries over the net asset value at acquisition is being amortized on a straight-line basis over periods not exceeding forty years. The Company's policy is to evaluate goodwill for impairment whenever events or changes in circumstances indicate that the carrying amount may not be

recoverable. An impairment loss, if required, would be recorded in the period such determination is made based on the fair value of the related businesses. Goodwill is net of accumulated amortization of \$18,057,000 and \$11,747,000 as of December 31, 1998 and 1997, respectively.

Foreign Currency Translation: Assets and liabilities of the Company's foreign subsidiaries are translated into U.S. dollars at the current rate of exchange, while revenues and expenses are translated at the average exchange rate during the year. Adjustments from translating foreign subsidiaries' financial statements are excluded from the results of operations and are reported as a component of Accumulated other comprehensive income (loss).

Research and Development Costs: Expenditures relating to the development of new products and processes, including significant improvements to existing products, are expensed as incurred. Research and development expenses were

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

\$28,812,000, \$26,137,000, and \$18,059,000 in 1998, 1997, and 1996, respectively. In addition, the Company incurred other engineering expenses relating to new product development (that do not meet the accounting definition of "Research and Development") in the amount of \$1,930,000, \$4,230,000, and \$2,964,000, in 1998, 1997, and 1996, respectively.

Stock Based Compensation: The Company accounts for stock based compensation awards pursuant to Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and its related interpretations which prescribe the use of the intrinsic value based method. Accordingly, no compensation cost has been recognized for its fixed stock option plans. However, the Company has adopted the disclosure requirements of Statement of Financial Accounting Standards No. 123, "Accounting for Stock Based Compensation." See Note 4 for additional information.

Income Taxes: Deferred income taxes are recorded to reflect the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each year-end.

Earnings Per Common Share: Basic earnings per share are based on the weighted average number of common shares outstanding during the period. Diluted earnings per share are based on the weighted average number of common shares outstanding during the period plus, if dilutive, the incremental number of common shares issuable on a pro forma basis upon the exercise of employee stock options, assuming the proceeds are used to repurchase outstanding shares at the average market price during the year. A reconciliation of the Basic and Diluted per share computations are provided below (in thousands):

| | 1998 | 1997 | 1996 |
|----------------------------|--------|--------|--------|
| <S> | <C> | <C> | <C> |
| Common Shares: | | | |
| Weighted average common | | | |
| shares outstanding - Basic | 27,220 | 26,920 | 26,470 |
| Additional common shares | | | |
| issuable for stock options | 150 | 420 | 590 |
| <hr/> | | | |
| Common shares - Diluted | 27,370 | 27,340 | 27,060 |

Derivatives Financial Instruments: The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," in June 1998. This Statement is effective for financial statements issued for all fiscal quarters of fiscal years beginning after June 15, 1999. Accordingly, the Company will adopt the provisions of the standard on January 1, 2000. The Company utilizes hedging activities primarily in its foreign subsidiaries to limit foreign currency exchange rate risk. The Company's preliminary assessment is that the adoption of this Statement will not have a significant impact on the Company's results of operations, financial position or cash flow.

Other: The 1997 and 1996 consolidated financial statements have been reclassified to conform to the 1998 presentation. In addition, the Company adopted SFAS No. 130, "Reporting Comprehensive Income." Accordingly, prior year financial statements have been reclassified to conform to the provisions of this Statement.

| <TABLE> |
|-----------|
| <CAPTION> |

NOTE 2: FINANCING

Long-term obligations consisted of the following (amounts in thousands):

| | 1998 | 1997 |
|--|------------|-----------|
| <S> | <C> | <C> |
| Credit agreement borrowings | \$ 39,282 | \$ 7,081 |
| Floating rate industrial revenue bonds due 2012 - 2025 | 15,500 | 15,500 |
| Senior notes payable due 2001 - 2007 | 65,000 | 65,000 |
| Capital lease obligation | 12,659 | 13,934 |
| Other | 706 | 564 |
| Unamortized debt expense | (1,400) | (1,137) |
| | ----- | ----- |
| | 131,747 | 100,942 |
| Less current maturities | (3,070) | (3,027) |
| | ----- | ----- |
| | \$ 128,677 | \$ 97,915 |

</TABLE>

In 1998, the Company entered into a new domestic revolving credit agreement in the aggregate amount of \$100,000,000 expiring December 31, 2001. This agreement replaced the Company's domestic revolving credit agreement which was to expire in December, 1999. Of the total \$100,000,000 commitment, \$17,200,000 has been utilized for the issuance of letters of credit relating principally to the Company's industrial revenue bonds. The outstanding borrowings under this domestic revolving credit agreement totalled \$33,500,000 at December 31, 1998. The balance of funds available under the revolving credit agreement may be utilized for borrowings or other letters of credit; however, a maximum of \$25,000,000 may be allocated to such letters of credit. At December 31, 1998, \$49,300,000 was available under this agreement. This obligation is collateralized by substantially all domestic assets. The Company has also pledged 65% of the stock of applicable foreign subsidiaries in support of this obligation. Interest may be determined on a LIBOR or prime rate basis at the Company's option. The Company has agreed to pay a facility fee of .4% per annum on the total amount of the commitment. During 1998, the average interest rate for all domestic credit agreement borrowings was 6.9%.

The Company also has short-term credit lines utilized by its European subsidiaries. At year-end, direct borrowings under these agreements totaled \$8,486,000, an additional \$37,614,000 remained unused. These credit lines bear interest based on LIBOR. Foreign long-term debt includes long-term arrangements at fixed and variable rates with the Industry Ministry of Italy totaling \$1,483,000 (due 1999 - 2008), and variable rate borrowings with various international banks of \$4,299,000 (due 1999 - 2005). Further, two of the aforementioned arrangements are mortgage notes, under which the Company has pledged the respective land and buildings as collateral. These collateralized assets had an aggregate net book value of \$9,781,000 at year-end 1998. During 1998, the average interest rate for all foreign credit arrangements approximated 5.89%.

The floating rate industrial revenue bonds bear interest at rates based upon a short-term tax exempt bond index, as defined in the bonds, which approximated 3.99% at December 31, 1998. The average interest rate for all industrial revenue borrowings approximated 3.59% during 1998.

In 1997, the Company issued \$65,000,000 of notes in a private placement transaction. These notes have a weighted average life of 7 1/2 years and a weighted average interest rate of 6.65%.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The notes are collateralized and rank equally with the Company's other collateralized indebtedness. A portion of the proceeds was used to prepay a \$15,000,000 note payable. As a result of such prepayment, the difference between the call premium and costs of reacquisition and the net carrying amount of the debt in the amount of \$996,000, or \$.02 per basic and diluted share after related tax benefit, has been reported as an "Extraordinary Item" in the Consolidated Statements of Operations.

In connection with one of its discontinued emissions testing business programs, the Company had a lease agreement under which it leased the land and inspection facilities for an initial lease term equal to the program life expiring on December 31, 2005. For financial reporting purposes the lease has been classified as a capital lease; accordingly, an obligation (and related asset with a net book value of approximately \$13,373,000) is recorded at December 31, 1998. See also Note 9 for information concerning the sale of this business.

The aggregate maturities of long-term obligations for the years 1999 through 2003 are as follows (amounts in thousands):

<TABLE>
<CAPTION>

| 1999 | 2000 | 2001 | 2002 | 2003 |
|------|------|------|------|------|
| <S> | <C> | <C> | <C> | <C> |

\$3,070 \$3,224 \$39,174 \$13,279 \$13,288

The Company's borrowing agreements include various restrictive covenants as to the amount and type of indebtedness, investments and guarantees, maintenance of net worth, working capital, earnings before interest, taxes, depreciation and amortization, the purchase or redemption of the Company's shares and the disposition of assets of the Company not in the ordinary course of business.

**NOTE 3: OTHER ASSETS,
LIABILITIES AND INCOME**

Other assets consisted of the following (amounts in thousands):

| | 1998 | 1997 |
|---|----------|-----------|
| <S> | <C> | <C> |
| Capitalized computer software and database files | \$ 8,894 | \$ 10,949 |
| Investments in telecommunication companies | 501 | 23,337 |
| Other | 18,570 | 18,316 |
| | <hr/> | <hr/> |
| | \$27,965 | \$ 52,602 |

Other liabilities consisted of the following (amounts in thousands):

| | 1998 | 1997 |
|--|-----------|-----------|
| <S> | <C> | <C> |
| Minority interests | \$ 6,297 | \$ 7,253 |
| Long-term pension and post-retirement liabilities | 6,212 | 5,879 |
| Other | 4,391 | 4,725 |
| | <hr/> | <hr/> |
| | \$ 16,900 | \$ 17,857 |

The components of Other income, net pertains principally to various telecommunication investments and is comprised of the following (amounts in thousands):

| | 1998 | 1997 | 1996 |
|------------------------|-----------|----------|--------|
| <S> | <C> | <C> | <C> |
| RF Micro Devices, Inc. | \$ 14,400 | \$ 300 | \$ -- |
| NextWave Telecom Inc. | (6,638) | -- | -- |
| Other | (1,697) | 1,585 | 952 |
| | <hr/> | <hr/> | <hr/> |
| | \$ 6,065 | \$ 1,885 | \$ 952 |

</TABLE>

In 1998, the Company sold its investment in RF Micro Devices, Inc. This investment was accounted for pursuant to Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Accordingly, in 1997, such investment was adjusted to fair value with the resultant unrealized appreciation, net of related income tax effects included in Stockholders Equity as "Accumulated other comprehensive income (loss)."

In 1998, the Company recognized an impairment in the entire carrying value of its investment in and receivable from NextWave (a C-Block wireless communications carrier) as NextWave and certain of its subsidiaries filed for relief under Chapter 11 of the United States Bankruptcy code. (See Note 5 for additional information.) Also in 1998, the Company wrote off its investment in Windata Inc. as a result of that company's decision to liquidate with no recovery to the Company. Other income in 1997 relates primarily to a gain from the sale of an investment in a telecommunications company. Other income in 1996 pertains principally to royalty payments received in connection with a previously sold operation.

**NOTE 4: CAPITAL STOCK AND
STOCK COMPENSATION PLANS**

The Company is authorized to issue up to 50,000,000 shares of common stock, \$1.00 par value, and 3,000,000 shares of preferred stock, without par value, in one or more series. In addition, the Company can fix the powers, designations,

preferences and rights of each of the preferred stock series.

The Company has adopted the "disclosure-only" provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock Based Compensation" ("SFAS No. 123"), but applies Accounting Principles Board Opinion No. 25 ("APB 25") and related interpretations for the accounting of its Stock Plans. The Company has two active plans, the 1992 Stock Plan and the 1994 Non-Employee Directors Stock Option Plan. The 1982 Stock Plan, under which options still remain outstanding, was terminated in 1992.

The Company's 1992 Stock Plan provides for the granting of options (and restricted shares as discussed below) to key employees as determined by the Management Compensation Committee of the Board of Directors. The total number of options for which the Company may grant options and award restricted shares of common stock under the 1992 Stock Plan cannot exceed 3,528,221 shares, subject to certain adjustments. Options are awarded at a price not less than the fair market value on the date the option is granted, have a ten-year term whereby 50% of the option shares vest after two years and an additional 25% in each of years three and four. Options may contain stock appreciation rights under which the Company, upon request of the optionee, may, at its discretion, purchase the exercisable portion of an option for cash and/or shares at a price equal to the difference between the option price and the market price of the shares covered by such portion of the option in lieu of issuing shares upon exercise. There were no exercises of stock appreciation rights in 1998, 1997 and 1996.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Pursuant to the 1994 Non-Employee Directors Stock Option Plan, the total number of shares to be issued may not exceed 278,528 shares. Each Non-Employee Director who previously had not been employed by the Company automatically receives an option to purchase 3,000 shares of common stock per year ("Formula Awards"). No Non-Employee Director who previously has been employed by the Company is eligible to receive Formula Awards. Shares granted under the 1994 Plan have a ten-year term and vest in the same manner as the 1992 Stock Plan, subject to certain accelerated vesting upon the cessation of service. Non-Employee Directors who have been previously employed by the Company are eligible to receive discretionary awards of options to purchase shares of common stock.

Stock option activity for the three years ended December 31, 1998 is summarized as follows:

| <S> | Shares <C> | Weighted Average Exercise Price <C> |
|---|---------------|---|
| Balance, December 31, 1995 | 1,387,926 | \$ 12.44 |
| Granted (weighted average fair value \$10.15) | 391,400 | \$ 20.39 |
| Exercised | (37,545) | \$ 8.84 |
| Terminated and canceled | (32,317) | \$ 20.21 |
| ----- | | |
| Balance, December 31, 1996 | 1,709,464 | \$ 14.19 |
| Granted (weighted average fair value \$9.97) | 498,500 | \$ 18.11 |
| Exercised | (146,872) | \$ 12.07 |
| Terminated and cancelled | (92,389) | \$ 19.61 |
| ----- | | |
| Balance, December 31, 1997 | 1,968,703 | \$ 15.08 |
| Granted (weighted average fair value \$8.79) | 558,600 | \$ 15.55 |
| Exercised | (56,094) | \$ 6.06 |
| Terminated and cancelled | (353,110) | \$ 18.02 |
| ----- | | |
| Balance, December 31, 1998 | 2,118,099 | \$ 14.96 |

The table below summarizes the status of outstanding options as of December 31, 1998.

| STOCK OPTIONS OUTSTANDING | | | | | | | |
|------------------------------------|---------------|----------------------------|--------------------------|---------------|---|--|--|
| Range of Exercise Prices <S> | Shares <C> | WEIGHTED AVERAGE | | | STOCK OPTIONS EXERCISABLE | | |
| | | Contractual Life <C> | Exercise Price <C> | Shares <C> | Weighted Average Exercise Price <C> | | |
| \$ 4.18 - \$10.77 | 459,301 | 2.03 years | \$5.38 | 431,801 | \$ 5.28 | | |

| | | | | | |
|-------------------|-----------|------------|---------|-----------|---------|
| \$11.27 - \$19.97 | 1,158,127 | 7.66 years | \$15.94 | 423,787 | \$15.08 |
| \$20.00 - \$28.00 | 500,671 | 7.15 years | \$21.45 | 281,641 | \$21.45 |
| \$ 4.18 - \$28.00 | 2,118,099 | 6.32 years | \$14.96 | 1,137,229 | \$12.94 |

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for stock option grants: expected volatility of 51% and 47%, risk free interest rates of 5.31% and 6.38%, and expected lives of 6.3 years and 6.2 years for 1998 and 1997, respectively. The calculations assume no future dividend payments for grants in 1998, 1997 and 1996.

Restricted stock awards made to date under the 1992 Stock Plan were issued at no cash cost to the recipients; however, such employees generally agreed to forego salary increases and new stock option grants for a period of two years, other than for exceptional promotions. The restricted shares generally vest in 25% increments in the seventh, eighth, ninth and tenth year from the year of award. An accelerated vesting schedule may be triggered if certain performance targets are achieved. Specifically, the vesting of 50% of such shares may be accelerated (but not sooner than three years from the award year) based upon the average sale price of the Company's stock price during a period of 91 consecutive calendar days exceeding specified target levels. The remaining 50% of such shares may be accelerated based on average earnings per common share over three consecutive fiscal years exceeding specified target levels beginning with the award year. Restricted shares are subject to forfeiture in certain circumstances as defined in the 1992 Stock Plan.

Restricted stock activity for the three years ended December 31, 1998 is summarized as follows:

| | | Shares |
|---|--|----------|
| <S> | | <C> |
| Balance, December 31, 1995 | | 320,605 |
| Granted | | -- |
| Vested | | (28,347) |
| Terminated and canceled | | (17,328) |
| ----- | | |
| Balance, December 31, 1996 | | 274,930 |
| Granted (weighted average fair value \$18.94) | | 40,000 |
| Vested | | (11,848) |
| Terminated and cancelled | | (17,626) |
| ----- | | |
| Balance, December 31, 1997 | | 285,456 |
| Granted (weighted average fair value \$16.50) | | 20,000 |
| Vested | | (37,365) |
| Terminated and cancelled | | (62,841) |
| ----- | | |
| Balance, December 31, 1998 | | 205,250 |

Unearned compensation with respect to restricted shares, representing the fair value of the restricted shares at date of award, is charged to income over the shorter of a ten-year period or the period of actual vesting. Compensation expense with respect to restricted shares, net of forfeitures, amounted to \$26,000 in 1998, \$424,000 in 1997, and \$382,000 in 1996.

At December 31, 1998 and 1997, 4,209,933 and 2,962,027 common shares, respectively, were reserved for outstanding stock options and for future grants of stock options and restricted shares under all Stock Plans. In addition, 500,000 shares of Series C Junior Participating Preferred Stock are authorized for issuance under the Company's Stockholder Rights Plan.

If the Company had elected to recognize compensation cost for its stock based compensation plans based on the fair value at the grant dates for awards under those plans in accordance with SFAS 123, net income (loss) and earnings per common share would have been reduced to the pro forma amounts below (amounts in thousands, except per share data):

| | 1998 | 1997 | 1996 |
|----------------------|------------|----------|----------|
| <S> | <C> | <C> | <C> |
| Net income (loss): | | | |
| As reported | (\$10,222) | \$23,349 | \$13,066 |
| Pro forma | (\$12,042) | \$21,562 | \$11,794 |
| Earnings (loss): | | | |
| per common share, | | | |
| Basic: As reported | (\$.38) | \$.87 | \$.50 |
| Pro forma | (\$.44) | \$.80 | \$.45 |
| Diluted: As reported | (\$.38) | \$.86 | \$.48 |
| Pro forma | (\$.44) | \$.80 | \$.44 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5: COMMITMENTS AND CONTINGENCIES

The Company's leases consist primarily of facilities and equipment and expire principally between 1999 and 2005. A number of leases require that the Company pay certain executory costs (taxes, insurance and maintenance) and contain renewal and purchase options. Annual rental expense for operating leases included in results from continuing operations approximated \$3,900,000 in 1998, \$4,600,000 in 1997, and \$3,900,000 in 1996. Future minimum payments under noncancelable leases as of December 31, 1998 were as follows (amounts in thousands):

| | Operating Leases | Capitalized Lease |
|--|---------------------|----------------------|
| <S> | <C> | <C> |
| 1999 | \$ 4,019 | \$ 2,450 |
| 2000 | 3,350 | 2,450 |
| 2001 | 3,111 | 2,450 |
| 2002 | 2,830 | 2,450 |
| 2003 | 1,850 | 2,450 |
| Thereafter | 1,960 | 4,900 |
| <hr/> | | |
| Total minimum lease payments | \$17,120 | 17,150 |
| <hr/> | | |
| Less: amount representing interest | | (4,491) |
| <hr/> | | |
| Present value of future minimum lease payments including current maturities of \$1,392 | | \$12,659 |

</TABLE>

The Company is self-insured for health care and workers compensation up to predetermined amounts above which third party insurance applies. The Company is fully insured through third party insurance for general liability and product liability. The Company is contingently liable to insurance carriers under its workers compensation and liability policies and has provided letters of credit in favor of these carriers in the amount of \$1,172,000.

In 1996, the Company entered into an agreement to make an equity investment in NextWave Telecom Inc. ("NextWave"), and whereby NextWave agreed to purchase \$50,000,000 of equipment and services over a five-year period from the Company. In connection with this agreement, subject to certain preconditions that have not yet occurred, the Company agreed to provide secured product financing in addition to its investment. In 1998, NextWave and certain of its subsidiaries filed for relief under Chapter 11 of the United States bankruptcy code; accordingly, the status of this commitment is, at this time, unlikely to be filled.

Various legal actions are pending against or involve the Company and its subsidiaries with respect to such matters as product liability, casualty claims and employment practices. In the opinion of management, after review and consultation with counsel, the aggregate liability, if any, that ultimately may be incurred in excess of amounts already provided should not have a material adverse effect on the consolidated financial position, results of operations or cash flow of the Company.

The Company is subject to federal, state and local laws designed to protect the environment and believes that, as a general matter, its policies, practices, and procedures are properly designed to reasonably prevent risk of environmental damage and financial liability to the Company. The Company has identified potential environmental damage at two formerly occupied manufacturing facilities. In this regard, the Company has engaged a contractor to evaluate one of the sites and determine the cost, if any, to resolve environmental damage. While the ultimate cost cannot yet be specifically determined, the Company currently believes the costs of remediation at this site will not exceed \$100,000. Based upon environmental assessments of the second site, the Company believes that the cost of any potential remediation, for which the Company may ultimately be responsible, will not have a material adverse effect on the consolidated financial position, results of operations or cash flow of the Company.

NOTE 6: PENSION AND
EMPLOYEE BENEFIT PLANS

The Company has noncontributory pension plans covering the majority of its

full-time domestic employees. Plans covering salaried employees provide benefits that are based on years of service and compensation during the ten-year period prior to retirement, while the plan covering hourly employees typically provides benefits based on specified amounts for each year of service. Domestic pension costs are funded in compliance with the requirements of the Employee Retirement Income Security Act of 1974, as amended, as employees become eligible to participate, generally upon employment.

Net periodic pension cost of continuing operations for the Company's plans included the following components (amounts in thousands):

| | 1998 <C> | 1997 <C> | 1996 <C> |
|---|-------------|-------------|-------------|
| Service cost benefits | | | |
| earned during the year | \$ 1,549 | \$ 1,204 | \$ 1,165 |
| Interest cost on the projected benefit obligation | 2,261 | 2,244 | 2,354 |
| Actual income on plan assets | (1,779) | (5,602) | (3,474) |
| Net settlement gain | (29) | -- | -- |
| Net amortization and deferral | (880) | 3,576 | 1,509 |
| ----- | | | |
| Net periodic pension cost | \$ 1,122 | \$ 1,422 | \$ 1,554 |

Plan assets consist principally of equity securities (including 92,000 common shares of the Company).

A reconciliation of the plans' projected benefit obligation, fair value of plan assets, and funding status is as follows (amounts in thousands):

| | 1998 <C> | 1997 <C> |
|---------------------------------|-------------|-------------|
| Projected benefit obligation: | | |
| Balance, beginning of year | \$ 31,341 | \$ 29,212 |
| Service cost | 1,549 | 1,204 |
| Interest cost | 2,261 | 2,244 |
| Benefits paid | (2,076) | (1,781) |
| Loss recognized | 2,856 | 462 |
| Settlements | (583) | -- |
| ----- | | |
| | \$ 35,348 | \$ 31,341 |
| Fair value of plan assets: | | |
| Balance, beginning of year | \$ 28,086 | \$ 23,970 |
| Return on assets | 1,779 | \$ 5,602 |
| Employer contributions | 216 | 206 |
| Benefits paid and plan expenses | (1,769) | (1,692) |
| ----- | | |
| | \$ 28,312 | \$ 28,086 |
| Funding Status: | | |
| Projected benefit obligation | \$(35,348) | \$(31,341) |
| Fair value of plan assets | 28,312 | 28,086 |
| ----- | | |
| Unfunded obligation | (7,036) | (3,255) |
| Unrecognized: | | |
| Net (gain)/loss | 2,190 | (1,014) |
| Prior service cost | 1,739 | 1,867 |
| Transition assets | (135) | (189) |
| Additional minimum liability | (694) | (621) |
| ----- | | |
| Accrued liability | \$ (3,936) | \$ (3,212) |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

With respect to certain of the Company's pension plans, the accumulated pension obligation exceeds the fair value of the plan assets, as follows (amounts in thousands):

| | 1998 <C> | 1997 <C> |
|--------------------------------|-------------|-------------|
| Accumulated benefit obligation | \$7,502 | \$7,211 |
| Fair value of plan assets | 2,767 | 2,755 |

The weighted average rates used in determining pension cost for the plans' are:

| |
|---------|
| <TABLE> |
|---------|

| | 1998 | 1997 |
|---|--|-------------------------|
| <S> | <c>< th=""><th style="text-align: right;"><c>< th=""></c><></th></c><> | <c>< th=""></c><> |
| Discount rate | 6 3/4% | 7 1/4% |
| Expected rate of increase in compensation | 5% | 5% |
| Expected long-term rate of return on plan assets | 9 3/4% | 9 3/4% |

The Company provides health care and life insurance benefits for certain retired employees who reach retirement age while working for the Company. The components of the expense for postretirement health care and life insurance benefits from continuing operations are as follows (amounts in thousands):

| | 1998 | 1997 | 1996 |
|---|---|--|-------------------------|
| <S> | <c>< th=""><th style="text-align: right;"><c>< th=""><th style="text-align: right;"><c>< th=""></c><></th></c><></th></c><> | <c>< th=""><th style="text-align: right;"><c>< th=""></c><></th></c><> | <c>< th=""></c><> |
| Service cost benefits attributed to service during period | \$ 4 | \$ 6 | \$ 15 |
| Interest cost on accumulated post-retirement benefit obligation | 105 | 110 | 110 |
| Amortization of (gain) loss | 2 | (3) | (2) |
| Net postretirement health care cost | \$ 111 | \$ 113 | \$ 123 |

The components of the accumulated postretirement benefit obligations (all of which are unfunded) are as follows (amounts in thousands):

| | 1998 | 1997 | 1996 |
|---|---|--|-------------------------|
| <S> | <c>< th=""><th style="text-align: right;"><c>< th=""><th style="text-align: right;"><c>< th=""></c><></th></c><></th></c><> | <c>< th=""><th style="text-align: right;"><c>< th=""></c><></th></c><> | <c>< th=""></c><> |
| Retirees | \$1,403 | \$1,319 | \$1,103 |
| Fully eligible active plan participants | 69 | 96 | 102 |
| Other active plan participants | 72 | 87 | 141 |
| Unrecognized net gain | 60 | 74 | 263 |
| Accumulated postretirement benefit obligations | \$1,604 | \$1,576 | \$1,609 |

A reconciliation of the accumulated postretirement benefit cost is as follows (amounts in thousands):

| | 1998 | 1997 |
|----------------------------------|--|-------------------------|
| <S> | <c>< th=""><th style="text-align: right;"><c>< th=""></c><></th></c><> | <c>< th=""></c><> |
| Balance as of January 1, | \$ 1,576 | \$ 1,609 |
| Net postretirement benefit cost: | | |
| Service cost | 4 | 7 |
| Interest Cost | 105 | 110 |
| Amortization of gains/(losses) | 2 | (4) |
| Actual benefits paid | (83) | (146) |
| Balance as of December 31, | \$ 1,604 | \$ 1,576 |

The actuarial calculation assumed a health care cost trend rate of 9.2% for 1998 (9.6% in 1997 and 13.2% in 1996). In 1997, the assumed trend rate was reduced based on the most current data. The assumed rate decreases approximately .4% per year through the year 2010 to 5.0% and remains constant beyond that point. Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change (plus or minus) in the assumed health care cost trend rules would have the following effects (amounts in thousands):

| | Plus | Minus |
|--|---|-------------------------|
| | 1% Point | 1% Point |
| <S> | <c>< th=""><th style="text-align: center;"><c>< th=""></c><></th></c><> | <c>< th=""></c><> |
| Effect on total of service and interest cost components | \$ 5 | \$ (4) |
| Effect of postretirement benefit obligation | \$ 51 | \$ (46) |

The weighted average discount rate used in determining the accumulated postretirement benefit obligations was 6.75% in 1998, 7.25% in 1997 and 7.50% in 1996. The amount of unrecognized net gain related to the Company's postretirement health benefits was \$60,000 at December 31, 1998.

NOTE 7: INCOME TAXES

Information with respect to income taxes in continuing operations is as follows (amounts in thousands):

| | 1998 <C> | 1997 <C> | 1996 <C> |
|--|-------------|-------------|-------------|
| Income (loss) before taxes and minority interests: | | | |
| Domestic | \$(22,892) | \$ 5,351 | \$ 9,472 |
| Foreign | 14,338 | 41,362 | 37,054 |
| | <hr/> | <hr/> | <hr/> |
| | \$ (8,554) | \$ 46,713 | \$ 46,526 |
| (Benefit) Provision for income taxes: | | | |
| Current: | | | |
| Federal | \$ (6,206) | \$ 2,247 | \$ 2,764 |
| Foreign | 10,661 | 22,867 | 19,170 |
| State and local | 550 | 766 | 580 |
| | <hr/> | <hr/> | <hr/> |
| | 5,005 | 25,880 | 22,514 |
| Deferred: | | | |
| Federal | (5,472) | (5,275) | (2,054) |
| Foreign | (4,571) | (542) | 108 |
| State and local | (272) | (2,340) | (903) |
| | <hr/> | <hr/> | <hr/> |
| | (10,315) | (8,157) | (2,849) |
| | <hr/> | <hr/> | <hr/> |
| | \$ (5,310) | \$ 17,723 | \$ 19,665 |

</TABLE>

A reconciliation of the (benefit) provision for income taxes at the U.S. Federal statutory rate of 35% to the reported tax is as follows (amounts in thousands):

| | 1998 <C> | 1997 <C> | 1996 <C> |
|--|-------------|-------------|-------------|
| (Benefit) provision computed at the U.S. Federal statutory rate | \$ (2,994) | \$ 16,350 | \$ 16,284 |
| State and local income taxes, net of Federal income tax effect | 311 | (1,023) | (210) |
| Net higher tax rates on foreign income | 406 | 7,016 | 6,082 |
| Benefit of foreign sales corporation and other tax credits | (1,513) | (2,115) | (2,055) |
| Impact of tax rate change on prior undistributed foreign earnings | (3,670) | -- | -- |
| Tax effect of write-off of non-deductible acquired in-process research and development costs | -- | -- | 932 |
| Other, net | 2,150 | (2,505) | (1,368) |
| | <hr/> | <hr/> | <hr/> |
| | \$ (5,310) | \$ 17,723 | \$ 19,665 |

</TABLE>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table summarizes the Company's total provision (benefit) for income taxes (amounts in thousands):

| | 1998 <C> | 1997 <C> | 1996 <C> |
|-------------------------|-------------|-------------|-------------|
| Continuing operations | \$ (5,310) | \$ 17,723 | \$ 19,665 |
| Discontinued operations | (2,640) | -- | (3,780) |
| Extraordinary item | -- | (364) | -- |

| | | | |
|--|------------|-----------|-----------|
| Tax benefit of carryforward allocated to goodwill | -- | 6,085 | -- |
| Allocated to equity: | | | |
| Unrealized appreciation on investment securities | -- | 4,027 | -- |
| Stock options | (139) | (653) | (82) |
| Pension gain (loss) | (148) | 149 | 112 |
| | \$ (8,237) | \$ 26,967 | \$ 15,915 |

</TABLE>

The components of deferred tax assets (liabilities) are comprised of the following as of December 31, 1998 and 1997 (amounts in thousands):

| <S> | 1998 <C> | 1997 <C> |
|---|------------------|-----------------|
| Gross deferred tax assets: | | |
| Inventory | \$ 5,718 | \$ 4,854 |
| Bad debt reserves | 3,506 | 1,448 |
| Pensions and deferred compensation | 1,605 | 2,419 |
| Tax credit carryforwards | 2,546 | 1,575 |
| Plant consolidation reserve | 4,405 | 1,095 |
| Product warranty claims | 543 | 1,735 |
| Net operating loss carryforwards | 11,512 | 3,116 |
| Unremitted foreign earnings | 4,747 | -- |
| Other | 1,181 | 1,332 |
| | 35,763 | 17,574 |
| Gross deferred tax liabilities: | | |
| Intangible assets | (1,808) | (3,455) |
| Depreciation | (1,370) | (2,686) |
| Unrealized appreciation on investment securities | -- | (4,027) |
| Deferred start-up costs | (1,850) | (2,309) |
| Other | (8,595) | (5,920) |
| | (13,623) | (18,397) |
| Net deferred tax assets (liabilities) | \$ 22,140 | \$ (823) |

</TABLE>

During 1998, 1997, and 1996, general business tax credits of approximately \$600,000, \$900,000 and \$470,000, generated in the respective years were used to reduce the provision for income taxes. At December 31, 1998, the Company has available alternative minimum tax credits in the amount of \$476,000 available to reduce future Federal income tax liabilities.

United States income taxes are not provided on undistributed earnings of the Company's foreign subsidiaries because of the intent to reinvest these earnings. The amount of undistributed earnings which are considered to be indefinitely reinvested is approximately \$42,000,000 at December 31, 1998. While the amount of federal income taxes, if such earnings are distributed in the future, cannot now be determined, such taxes may be reduced by tax credits and other deductions.

The Company has a U.S. net operating loss carryforward in the amount of approximately \$33,000,000 (generated principally in 1998) available to reduce future taxable income and may be carried forward for twenty years. The Company has not provided any valuation allowance with respect thereto as it believes the realization of this asset is "more likely than not."

NOTE 8: INDUSTRY SEGMENT AND GEOGRAPHIC DATA

In 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information." This Statement redefines the way publicly held companies report information about segments and is effective for the 1998 fiscal year. Management has determined that the Company conducts its business through two segments, based on products provided and services rendered: Telecommunications Equipment Manufacturing and Wireless Engineering Services. Telecommunications Equipment Manufacturing consists of three product lines: Systems Products, Site Management and Other Non-Antenna Products, and Mobile and Base Station Antennas.

The following shows the operating results and asset positions for each of the reportable segments for the years ended December 31, 1998, 1997, and 1996 (amounts in thousands).

<TABLE>

<CAPTION>

| | 1998 | 1997 | 1996 |
|--|------------|------------|------------|
| <S> | <C> | <C> | <C> |
| Results of Operations: | | | |
| Segment results: | | | |
| Telecommunications equipment | \$ 12,256 | \$ 60,812 | \$ 53,382 |
| manufacturing | (7,867) | (2,573) | 3,408 |
| Wireless engineering services | 4,389 | 58,239 | 56,790 |
| Other income, net | 6,065 | 1,885 | 952 |
| Goodwill amortization | (6,295) | (3,404) | (2,432) |
| General corporate expenses | (5,908) | (6,956) | (5,999) |
| Financing costs | (6,805) | (3,051) | (2,785) |
| <hr/> | | | |
| Income (loss) before taxes and minority interests | \$ (8,554) | \$ 46,713 | \$ 46,526 |
| Assets: | | | |
| Segment assets: | | | |
| Telecommunications equipment | \$ 244,487 | \$ 271,046 | \$ 226,035 |
| manufacturing | 16,527 | 20,918 | 23,915 |
| Wireless engineering services | 261,014 | 291,964 | 249,950 |
| Goodwill | 131,939 | 126,923 | 75,502 |
| Assets of discontinued emissions testing business | 25,799 | 33,363 | 48,619 |
| Deferred income taxes | 24,175 | 7,244 | 932 |
| Other general corporate assets | 22,658 | 54,939 | 35,509 |
| <hr/> | | | |
| Total assets | \$ 465,585 | \$ 514,433 | \$ 410,512 |
| Sales from external customers: | | | |
| Telecommunications equipment | \$ 360,589 | \$ 396,828 | \$ 334,029 |
| manufacturing | 27,415 | 35,680 | 35,469 |
| Total sales | \$ 388,004 | \$ 432,508 | \$ 369,498 |
| Depreciation and software amortization: | | | |
| Telecommunications equipment | \$ 13,990 | \$ 12,072 | \$ 10,888 |
| manufacturing | 3,510 | 3,532 | 3,007 |
| Fixed asset and capitalized software additions: | | | |
| Telecommunications equipment | \$ 18,361 | \$ 24,220 | \$ 17,547 |
| manufacturing | 3,635 | 3,296 | 4,615 |

</TABLE>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The distribution of the Company's geographic sales and long-lived assets (excluding deferred income taxes) is as follows (amounts in thousands):

| <S> | <C> | <C> | <C> |
|-----------------|-----------|-----------|-----------|
| Sales: | 1998 | 1997 | 1996 |
| United States | \$230,997 | \$272,346 | \$249,084 |
| Italy | 113,401 | 117,607 | 92,284 |
| Germany | 50,905 | 48,622 | 43,013 |
| Other | 71,115 | 69,309 | 45,119 |
| Intergeographic | (78,414) | (75,376) | (60,002) |
| <hr/> | | | |
| Total | \$388,004 | \$432,508 | \$369,498 |

| Long-lived assets: | 1998 | 1997 | 1996 |
|--------------------|------------------|------------------|------------------|
| United States | \$220,505 | \$249,071 | \$193,626 |
| Italy | 13,347 | 12,484 | 11,419 |
| Germany | 7,487 | 7,014 | 4,708 |
| Other | 5,097 | 3,828 | 1,580 |
| Total | \$246,436 | \$272,397 | \$211,333 |

</TABLE>

Sales by product line for the Telecommunications Equipment Manufacturing segment are presented in the bar charts on page 27.

NOTE 9: ACQUISITIONS AND DISPOSITIONS

In 1998, the Company acquired additional minority interests in several of its subsidiaries. In June 1998, the Company acquired an additional 10% of Telia S.A. ("Telia") in France bringing its ownership interest to 72%. In July 1998, the Company acquired the remaining 40% minority interest of Mikom Vertriebs und Service G.m.b.H., in Austria. The remaining 60% interest is owned by the Company's Mikom G.m.b.H. ("MIKOM") subsidiary in Germany. In October 1998, the Company acquired an additional 12% interest in MIKOM, bringing its total interest in MIKOM to 74%. In November 1998, the Company acquired the remaining outstanding 35.7% minority interest in Tekmar Sistemi S.r.l. in Italy. All such transactions were in cash and aggregated approximately \$15,400,000.

In 1997, the Company acquired the remaining 20% minority interest in FOREM S.r.l. ("FOREM"), and now owns 100% of FOREM. In a series of transactions to acquire this 20% minority interest, the Company paid \$31,297,000 in cash and 261,014 shares of the Company's common stock with an aggregate value of approximately \$6,000,000. The final purchase price was contingent upon the net income of FOREM's 1997 fiscal year. At December 31, 1997, the Company had recorded the estimated liability (included in accounts payable) for this final cash payment in the amount of approximately \$26,400,000, paid in 1998. In 1997, the Company acquired 62% of the stock of Telia for a purchase price comprised of approximately \$3,000,000 in cash and shares of the Company's stock. This transaction was recorded under the purchase method of accounting. The final purchase price was contingent upon the net income of Telia's 1997 fiscal year. At December 31, 1997, the Company had recorded the estimated liability (included in accounts payable) for this final payment in the amount of approximately \$830,000. The remaining 28% ownership interest of Telia, which is held by senior Telia management, is subject to put and call options, which provide for a purchase price based upon future operating results.

In 1996, the Company acquired, in exchange for 83,964 shares of its common stock, 100% of Signal Science, Incorporated ("SSI"). In addition, the selling shareholders may receive further contingent cash consideration based on sales over an eight-year period (none of which has been earned). The Company accounted for the acquisition under the purchase method. In addition, the Company incurred a one-time non-cash charge relating to the write-off of purchased in-process research and development costs of \$2,662,000. SSI's primary business is research and development projects involving special purpose radio signal equipment for telecommunications applications. In 1996, the Company also acquired a 64.3% interest in Tekmar for cash and 9,783 shares of common stock. Further, in 1996, the Company acquired the remaining 20% minority interest of its Grayson Wireless subsidiary for cash.

Pro forma results of operations for the acquisitions in 1997 and 1996 have not been presented because the impact is not significant to results of operations.

On March 1, 1999, the Company sold its MARTA Technologies, Inc. ("Marta") subsidiary, which operated its discontinued centralized automotive emissions testing programs, to a subsidiary of Environmental Systems Products, Inc. Pursuant to the terms of the agreement, the Company received cash and notes in exchange for the outstanding capital stock of Marta. Additional purchase price consideration may be earned and is contingent on future events. The net book value of the assets to be sold (including a capitalized lease obligation in the amount of \$12,659,000) amounts to approximately \$9,000,000, before accrual for any costs of disposal.

In December 1998, Marta and the State of Ohio entered into agreements to modify the vehicle emissions testing program in Cincinnati and to settle pending litigation between Marta and the State of Ohio. Pursuant to the settlement agreement, Marta entered into a change order with the State for the conversion of the current vehicle emissions testing process to a simpler lower speed test. The cost of the change order will be funded by the State.

On February 16, 1999, Marta settled litigation with the State of Kentucky in connection with the effective cancellation of a contract to operate the centralized automotive testing program in Northern Kentucky.

In 1998, the Company recognized an additional loss for the discontinued emissions testing business in the pretax amount of \$7,350,000 or \$4,710,000 after related income tax benefit of \$2,640,000 (\$.17 per basic and diluted

common share) relating principally to the diminution in the estimated value of its Cincinnati, Ohio emissions testing program. The Company believes that the aforementioned sale of Marta will not result in the need for an additional loss provision.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summarized income statement information relating to the results of discontinued operations of Marta for 1996 is as follows (amounts in thousands, except per share data):

| | |
|---|-----------|
| Sales | \$ 14,914 |
| Operating loss | (5,627) |
| Net loss | (3,766) |
| Loss per common share (basic and diluted) | (.14) |

In 1997 and 1998, the residual operations of Marta were not material in relation to the continuing operations of the Company. Results of operations for Marta are net of allocated interest of \$1,243,000 in 1996.

NOTE 10: FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial Accounting Standards Board ("FASB") Statements No. 107, "Disclosure about Fair Value of Financial Instruments," and No. 119, "Disclosure about Derivative Financial Instruments and Fair Value of Financial Instruments," are part of a continuing process by the FASB to improve information regarding financial instruments. The following methods and assumptions were used by the Company in estimating its fair value disclosures for such financial instruments as defined by the Statements.

Cash and Short-Term Investments: The carrying amount reported in the balance sheet for cash and cash equivalents approximates its fair value.

Long-Term Investments: It is not practicable to estimate the fair value of the Company's 8% investment in the common stock of its former specialty rubber products business or its other investments in telecommunications companies because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs. However, management believes that the carrying amounts recorded at December 31, 1998 reflects the corresponding fair value. In 1997, one of the Company's investments in telecommunications companies was carried at fair market value, based on its quoted stock price at December 31, 1997. This investment was sold in 1998.

Long-Term Debt: The fair values of the Company's long-term debt either approximate fair value or are estimated using discounted cash flow analyses based on the Company's current incremental borrowing rates for similar types of borrowing arrangements.

Off-balance-sheet instruments: The Company utilizes letters of credit to back certain financing instruments and insurance policies. The letters of credit reflect fair value as a condition of their underlying purpose and are subject to fees competitively determined in the market place. The Company enters into foreign currency contracts to offset the impact of currency rate changes related to accounts receivable. The fair value of such contracts are based on quoted market prices of comparable contracts. The carrying amounts and fair values of the Company's financial instruments at December 31, 1998 and 1997 are as follows (amounts in thousands):

<TABLE>
<CAPTION>

| | Carrying Amount | Fair Value |
|--|-----------------|------------|
| <S> | <C> | <C> |
| 1998 | | |
| Cash and cash equivalents | \$ 19,900 | \$ 19,900 |
| Non-current investments | 5,195 | 5,195 |
| Long-term debt | 141,633 | 145,175 |
| Off balance sheet financial instruments: | | |
| Letters of credit | 1,220 | 1,220 |
| Foreign currency net sales contracts | 5,523 | 5,519 |
| 1997 | | |
| Cash and cash equivalents | \$ 30,775 | \$ 30,775 |
| Non-current investments | 34,700 | 34,700 |
| Long-term debt | 105,171 | 106,732 |
| Off balance sheet financial instruments: | | |
| Letters of credit | 1,591 | 1,591 |

| | | |
|--------------------------------------|-------|-------|
| Foreign currency net sales contracts | 6,889 | 6,909 |
| </TABLE> | | |

NOTE 11: SUPPLEMENTAL CASH FLOW DISCLOSURE

There were no significant non-cash transactions in 1998.

During 1997, the following non-cash transactions were effected and are not reflected in the Consolidated Statement of Cash Flows:

As described in Note 9, in 1997 the Company acquired 62% of Telia and the remaining 20% minority interest in FOREM, in exchange for, in part, 289,389 shares of its common stock.

As described in Note 3, in 1997 the Company owned common stock and warrants in RF Micro Devices, Inc. On December 31, 1997, the Company increased its investment value to reflect its current trading value on that date of \$12,668,000, and recorded the related unrealized appreciation in the pretax amount of \$9,588,000 (\$5,561,000 after related income tax effect) to Stockholders' Equity as "Accumulated other comprehensive income (loss)."

As described in Note 9, in 1996 the Company acquired 100% of Signal Science, Incorporated and 64.3% of Tekmar Sistemi S.r.l. in exchange for, in part, 93,747 shares of its common stock.

Information with respect to cash paid during the year for interest and taxes is as follows:

| | 1998 | 1997 | 1996 |
|------------------------|--------------|--------------|--------------|
| <S> | <C> | <C> | <C> |
| Interest paid | \$ 8,020,000 | \$ 4,097,000 | \$ 4,907,000 |
| Interest capitalized | 286,000 | 220,000 | -- |
| Income taxes paid, net | 24,096,000 | 27,514,000 | 1,778,000 |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12: UNAUDITED QUARTERLY FINANCIAL DATA

Quarterly financial data are summarized as follows (amounts in thousands, except per share amounts):

| | March 31 | June 30 | Sept. 30 | Dec. 31 |
|---|------------|------------|------------|------------|
| <S> | <C> | <C> | <C> | <C> |
| 1998 | | | | |
| Sales | \$ 113,369 | \$ 98,013 | \$ 90,955 | \$ 85,667 |
| Gross profit | 35,748 | 17,662 | 21,928 | 19,262 |
| Income (loss) from continuing operations | 6,338 | (11,134) | 2,598 | (3,314) |
| Loss from discontinued operations | -- | -- | (4,710) | -- |
| Net income (loss) | 6,338 | (11,134) | (2,112) | (3,314) |
| <hr/> | | | | |
| Earnings (loss) per common share | | | | |
| Basic and Diluted: | | | | |
| Continuing operations | .23 | (.41) | .10 | (.12) |
| Discontinued operations | -- | -- | (.17) | -- |
| Net income | .23 | (.41) | (.07) | (.12) |
| <hr/> | | | | |
| | | | 1997 | |
| Sales | \$ 102,503 | \$ 108,859 | \$ 111,389 | \$ 109,757 |
| Gross profit | 36,541 | 38,182 | 40,533 | 35,661 |
| Income from continuing operations | 7,026 | 6,734 | 7,930 | 2,291 |
| Extraordinary item - extinguishment of debt | -- | -- | -- | (632) |
| Net income | 7,026 | 6,734 | 7,930 | 1,659 |
| <hr/> | | | | |
| Earnings per common share | | | | |
| Basic and diluted: | | | | |
| Continuing operations | .26 | .25 | .29 | .08 |
| Extraordinary item - extinguishment of debt | -- | -- | -- | (.02) |
| Net income | .26 | .25 | .29 | .06 |
| <hr/> | | | | |

</TABLE>

In the second quarter of 1998, the Company recorded a \$15,800,000 before-tax special charge to earnings, or \$.38 per basic and diluted share after related income taxes. Of this amount, \$12,200,000 is recorded in cost of sales, and \$3,600,000 in selling, general and administrative expenses. In the fourth quarter of 1998, the Company recorded a \$3,600,000 before-tax special charge to earnings, or \$.09 per basic and diluted share after related income taxes; of this amount, \$300,000 is recorded in cost of sales, and \$3,300,000 in selling, general and administrative expenses. Such charges relate to inventory, other asset write-off and employee terminations.

Income (loss) from continuing operations in the third quarter of 1998, includes net gains in the amount of \$7,797,000 from the sale of common stock investments in telecommunications companies and the recognition of a loss reserve relating to investments in certain other telecommunications ventures. The aggregate impact of these was \$.17 per basic and diluted share after related income taxes.

Net income for the three months ended September 30, 1998, includes a \$3,700,000 deferred tax benefit, or \$.13 per basic and diluted share, with respect to a change in the applicable income tax rate on the undistributed earnings (prior to 1998) of a foreign subsidiary as a result of the Company's acquisition of an additional interest in such subsidiary. The acquisition allows for earnings (when distributed) to be taxed at a lower rate.

In the fourth quarter of 1997, the Company recorded a special pre-tax charge in the amount of \$9,650,000, or \$.22 per basic and diluted common share after related tax effects. This charge relates to the discontinuance of product development and marketing efforts on two products, including the write-off of related assets, and the cost of employee severance related to a reduction in its Cleveland based workforce.

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and
Stockholders of Allen Telecom Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, stockholders' equity, and of cash flows present fairly, in all material respects, the financial position of Allen Telecom Inc. and its subsidiaries at December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, 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.

/s/ PricewaterhouseCoopers LLP

CLEVELAND, OHIO

FEBRUARY 16, 1999,
except as to paragraph five of Note 9, which is as of March 1, 1999

REPORT OF MANAGEMENT

To the Board of Directors and
Stockholders of Allen Telecom Inc.

The Company maintains accounting and related internal control systems which are intended to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and to produce records necessary for the preparation of financial information. There are limits inherent in all systems of internal control, and the cost of the systems should not exceed the expected benefits. Through the use of a program of internal audits and discussions with and recommendations from its independent accountants, the Company periodically reviews these systems and controls and compliance therewith.

The Audit Committee of the Board of Directors, comprised entirely of non-employee directors, meets regularly with management, the internal auditors and the independent accountants to review the results of their work and to satisfy itself that their responsibilities are being properly discharged. The internal auditors and independent accountants have full and free access to the Audit Committee and may have discussions regarding appropriate matters, with and

without the presence of management.

The primary responsibility for the integrity of financial information rests with management. Certain valuations contained herein result, of necessity, from estimates and judgments of management. Actual results could differ from these estimates. The accompanying consolidated financial statements, notes thereto and other related information were prepared in conformity with generally accepted accounting principles.

Allen Telecom

/s/ Robert G. Paul

ROBERT G. PAUL
PRESIDENT AND CHIEF
EXECUTIVE OFFICER

/s/ Robert A. Youdelman

ROBERT A. YOUDELMAN
EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

/s/ James L. Leporte, III

JAMES L. LEPORTE, III
VICE PRESIDENT
AND CONTROLLER, CHIEF
ACCOUNTING OFFICER

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MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS
OVERVIEW

| | 1998 | 1997 | 1996 |
|--|----------|----------|----------|
| | <C> | <C> | <C> |
| Sales | \$ 388.0 | \$ 432.5 | \$ 369.5 |
| Operating income (before special charges and credits, discussed below) | \$ 11.6 | \$ 57.1 | \$ 49.4 |
| Income (loss) before taxes and minority interests | \$ (8.5) | \$ 46.7 | \$ 46.5 |

In 1998, sales declined by \$44.5 million, or 10%, driven by the unsettled climate for the global wireless telecommunications market. During 1998, economic dislocations in Asia became more widespread and were followed by economic disruption in South America, notably Brazil. In addition, European original equipment manufacturers ("OEM's") had excess inventory at a time when worldwide demand was decreasing. The development of wireless networks in the U.S. has not increased as anticipated, affecting domestic sales. The Company currently sees no significant change in its market in the near term, but hopes to see gradual improvement as the uncertainties in Asia and South America are resolved.

The increase in sales in 1997 to \$432.5 million, or 17% over 1996, was due primarily to growth of international sales, which increased approximately \$51 million. The Site Management and Other Non-antenna and Systems product lines were the beneficiaries of this growth.

In 1998, international sales constituted approximately 58% of total sales, compared with 60% in 1997, and 56% in 1996. Export sales from the U.S. are primarily to major wireless telephony companies, and are typically payable in U.S. dollars. European sales are primarily to major OEMs and wireless operators in European currencies.

Operating income, representing income before financing costs and special charges and credits (as discussed below), decreased from \$57.1 million in 1997, or 13% of sales to \$11.6 million in 1998, or 3% of sales. Results were impacted by lower gross profit margins and the impact of fixed costs on lower sales. In addition, cost reductions in selling, general and administrative expenses did not significantly impact the Company's results until the fourth quarter of 1998. Operating income for 1997 increased \$7.4 million or 14% over 1996. This is attributable principally to the growth of the Site Management and Base Station Antenna businesses, improved product margins and the spreading of fixed costs on higher sales.

In 1998, the Company initiated a number of cost reduction efforts to improve and adjust operations to existing market conditions. These actions include, among others, the discontinuance of product development and marketing efforts on certain products, the formation of a worldwide Systems business, the consolidation of two manufacturing operations of the Systems product line, and the reorganization of the Company's North American-based sales force and Wireless Engineering Services business. As a result of asset write-offs, severance and other costs associated with such actions, the Company incurred before-tax charges for the year of \$19.4 million, or \$.47 per basic and diluted share after related taxes. Such cost reduction efforts were offset, in part, by net gains from the sale of telecommunications investments as well as the recognition of loss reserves on other investments in the amount of \$6.0 million, or \$.14 per basic and diluted share after related income taxes.

In the fourth quarter of 1997, the Company recorded special charges of \$9.6 million (\$6.0 million after related income taxes or \$.22 per basic and diluted share) relating to the discontinuance of product development and marketing efforts on two products, including the write-off of assets and the cost of employee severance. These charges were offset, in part, by a \$2.2 million gain from telecommunications investments. Operating income in 1996 excludes the one-time non-cash charge for acquired in-process research and development incurred in connection with an acquisition in the amount of \$2.7 million, or \$.10 per basic and diluted share.

RESULTS OF OPERATIONS BY SEGMENT

TELECOMMUNICATIONS EQUIPMENT MANUFACTURING:

| | 1998 | 1997 | 1996 |
|--|------------------|------------------|------------------|
| (\$ millions) | <C> | <C> | <C> |
| Sales | \$ 360.6 | \$ 396.8 | \$ 334.0 |
| Gross profit, % of sales | 25.0% | 36.4% | 36.0% |
| Operating expenses, % of sales | 13.3% | 13.5% | 13.8% |
| Research and development and new product engineering, % of sales | 8.3% | 7.6% | 6.3% |
| Operating income | \$ 12.3 | \$ 60.8 | \$ 53.4 |

The decrease in sales in 1998 to \$360.6 million, or 9% below 1997, was due essentially to weakness in international sales which decreased approximately \$32 million, or 13%. Sales of foreign operations were negatively impacted by the strong U.S. dollar relative to certain European currencies in fiscal 1997. As a result of exchange differences, reported sales in the year ended December 31, 1998 were \$6.7 million lower as compared with the corresponding prior year period, assuming the exchange rates stayed the same. The Site Management and Systems product lines were primarily affected by this decrease. The 19% increase in sales in 1997 to \$396.8 million was due to the growth in international sales increasing \$49.6 million, or 25% compared to 1996.

Sales of Systems products, which generally are comprised of booster and repeater products for cellular and PCS systems, test and measurement products, as well as indoor coverage products, decreased 17% in 1998 to \$92.6 million, as compared with \$111.0 million in 1997.

[BAR GRAPH]

<TABLE> <CAPTION> SALES OF SYSTEMS PRODUCTS (MILLIONS OF DOLLARS)

| <S> | <C> |
|-----|---------|
| 94 | \$76.1 |
| 95 | \$95.1 |
| 96 | \$94.1 |
| 97 | \$111.0 |
| 98 | \$92.6 |

[BAR GRAPH]

<TABLE> <CAPTION> SALES OF SITE MANAGEMENT AND OTHER NON-ANTENNA PRODUCTS (MILLIONS OF DOLLARS)

| <S> | <C> |
|-----|---------|
| 94 | \$53.0 |
| 95 | \$112.9 |
| 96 | \$159.3 |
| 97 | \$197.3 |
| 98 | \$184.5 |

[BAR GRAPH]
<TABLE>
<CAPTION>
SALES OF MOBILE AND BASE STATION ANTENNAS
(MILLIONS OF DOLLARS)

| S | C |
|----|--------|
| 94 | \$68.7 |
| 95 | \$73.8 |
| 96 | \$80.6 |
| 97 | \$88.5 |
| 98 | \$83.5 |

</TABLE>

[BAR GRAPH]
<TABLE>
<CAPTION>
SALES OF WIRELESS ENGINEERING SERVICES
(MILLIONS OF DOLLARS)

| S | C |
|----|--------|
| 94 | \$15.7 |
| 95 | \$24.8 |
| 96 | \$35.5 |
| 97 | \$35.7 |
| 98 | \$27.4 |

</TABLE>

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MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Much of this decrease was due to lower sales of the Extend-A-Cell(R) frequency translating repeater and microcell products. The 18% increase in 1997 to \$111.0 million, as compared with \$94.1 million in 1996, was primarily due to higher shipments of test and measurement products to domestic PCS and international markets.

Sales of Site Management and Other Non-antenna products, which includes tower mounted amplifiers, filters, combiners and duplexers, decreased to \$184.6 million or 6% below 1997 sales of \$197.3 million. Sales were adversely affected by slowdown in OEM production levels due to the Asian crisis and the high levels of inventory mentioned previously. The 24% increase in 1997 to \$197.3 million, compared with \$159.3 million in 1996, was due to the Company's strong market presence in Europe and the worldwide acceptance of GSM technology.

The sales of Mobile and Base Station Antennas remained strong, though down slightly, at \$83.5 million. This \$5.0 million decrease, or 6% under the 1997 levels of \$88.5 million, occurred mainly in the domestic market as sales of base station and land mobile antennas slowed significantly in the fourth quarter of 1998. The 10% increase in sales in 1997 to \$88.5 million was due to an increase in sales of base station antennas. However, this increase was partially offset by a decline in mobile antenna sales.

At December 31, 1998, the Company had an order backlog for this segment of approximately \$51.9 million, down from approximately \$112.5 million at December 31, 1997 and \$109.0 million at December 31, 1996.

Gross profit margins declined in 1998 as compared with 1997. Excluding the aforementioned special charges for severance and the write-off of certain assets relating to the discontinuation of certain product development efforts of \$12.5 million in 1998 and \$2.0 million in 1997, the gross profit margins would have been 28.5% in 1998 compared to 36.9% in 1997. This 8.4 percentage point decline in profit margins is due primarily to the spreading of fixed costs over lower sales, pricing pressure caused by excess capacity throughout the industry, product mix and higher obsolescence and warranty provisions. In 1999, the Company anticipates continued pricing pressure to be partially offset by savings from restructuring efforts and lower in-country production costs in China, Mexico and Brazil. In 1997, excluding restructuring, the small increase in margins, 36.9% compared with 36.0% in 1996, was due to slightly improved margins in the Base Station Antenna and Systems product lines, partially offset by pricing pressures in the Site Management product line.

Operating expenses, which consist of selling, general and administrative expenses, but exclude amortization of goodwill, decreased in 1998, due primarily to the aforementioned restructuring efforts at the end of 1997 and during 1998 which reduced expenses. The special charges associated with these restructuring efforts were \$4.3 million in 1998 and \$5.0 million in 1997. Excluding these special charges the operating expenses would have been 12% of sales in both 1998 and 1997. With the savings from restructuring efforts, operating expenses are anticipated to be lower in 1999. The decline in percentage in 1997 from 1996 represents the spreading of fixed costs on higher sales.

In the past few years, the Company has significantly increased its research and development and new product engineering costs in order to keep pace with the technological advances in the industry. The Company anticipates that this trend will continue as PCS and cellular systems are implemented and expanded and the Company strives to develop ancillary products, including emergency 911 geolocation systems and software products, for the wireless telephony industry.

| WIRELESS ENGINEERING SERVICES: | | | |
|--------------------------------|----------|----------|--------|
| (\$ millions) | 1998 | 1997 | 1996 |
| <S> | <C> | <C> | <C> |
| Sales | \$ 27.4 | \$ 35.7 | \$35.5 |
| Gross profit, | | | |
| % of sales | 16.6% | 17.6% | 30.3% |
| Operating expenses, | | | |
| % of sales | 42.3% | 24.6% | 20.7% |
| Operating income (loss) | (\$ 7.9) | (\$ 2.6) | \$ 3.4 |

Wireless Engineering Services provides engineering and consulting services to major wireless operators. In 1998, sales for the segment decreased from \$35.7 million in 1997 to \$27.4 million in 1998, or 23%. This decline was due to a general slowdown in the pace of development of wireless networks from prior years.

Gross profit decreased from 17.6% in 1997 to 16.6% in 1998 due to fixed engineering costs on lower sales and pricing pressures. Gross profit declined 12.7 percentage points from 1996 to 1997 primarily due to the discontinuance of a software product line and a corresponding cost of sales charge of \$2.0 million for the write-off of certain software development costs.

Operating expenses, as a percentage of sales, was 42.3% in 1998, 24.6% in 1997, and 20.7% in 1996. In 1998, the Company incurred a one-time charge of \$2.6 million due to realigning the Wireless Engineering Services business. Additionally, the Company incurred costs of \$.7 million in 1997 related to the discontinuance of a software product line. Excluding these one-time charges, operating costs as a percentage of sales were 32.7% in 1998, 22.6% in 1997, and 20.7% in 1996. The increase in 1998 over 1997 was due to fixed costs on substantially lower sales.

Backlog for the Wireless Engineering Services segment was \$.9 million at December 31, 1998, \$2.5 million at December 31, 1997, and \$.2 million at December 31, 1996.

The Wireless Engineering Services Segment was realigned in the fourth quarter of 1998 to reduce engineering and general and administrative costs. In addition, product offerings have been reorganized to focus on this segment's core business of engineering and microwave coordination services. The full impact of such changes will not benefit segment operating results until early 1999.

| FINANCING COSTS | | | |
|---------------------|----------|----------|----------|
| (\$ millions) | 1998 | 1997 | 1996 |
| <S> | <C> | <C> | <C> |
| Financing expenses: | | | |
| Interest expense | \$ (8.3) | \$ (4.5) | \$ (3.8) |
| Interest income | \$ 1.5 | \$ 1.5 | \$ 1.0 |

The increase in interest expense in 1998 over 1997 is due to higher outstanding borrowings incurred in connection with the acquisitions of minority interests in subsidiaries and to support lower cash flow from operations. (See Liquidity and Capital Resources.) The increase in interest expense in 1997 over 1996 was primarily related to increased credit line borrowings as a result of the significant amount of investments (\$44.4 million) made in telecommunications companies.

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| INCOME TAXES | | | |
|---|--------|-----------|-----------|
| (\$ millions) | 1998 | 1997 | 1996 |
| <S> | <C> | <C> | <C> |
| Benefit (provision) for income taxes | \$ 5.3 | \$ (17.7) | \$ (19.7) |
| Effective tax rate | 62.1% | 37.9% | 42.3% |

The significantly higher effective tax rate benefit in 1998, as compared with 1997, is due, in large part, to the impact of a \$3.7 million deferred tax benefit (\$.13 per basic and diluted share) with respect to the change in the applicable income tax rate on the undistributed earnings (prior to 1998) of a foreign subsidiary as a result of the Company's acquisition of an additional interest in such subsidiary. The acquisition allows for the Company's pro rata share of earnings (when distributed) to be taxed at a lower rate.

Through December 31, 1998, the Company has recorded a net U.S. deferred tax asset pertaining to the recognition of net operating loss carryforwards, related temporary differences and tax credits in the amount of approximately \$20.0 million and has not provided any valuation allowance with respect thereto. The Company believes the realization of this asset is "more likely than not." This determination is based upon, in part, that the significant U.S. pretax loss incurred in 1998, which accounted for the majority of the recognized tax benefit, included substantial one time net special charges which are not expected to be recurring, anticipated future U.S. taxable income as well as available tax planning strategies, should they be necessary, to utilize such losses in the future. The taxable losses may be carried forward for a period of twenty years.

The lower effective tax rate in 1997, as compared with 1996, is due to a higher proportion of tax benefits attributable to the Company's foreign sales corporation, which has reduced U.S. income taxes payable through favorable tax treatment accorded certain export sales, and business tax and other credits available to reduce U.S. income taxes payable. These benefits were offset, in part, by higher tax rates on European sourced income.

DISCONTINUED OPERATIONS:

As described in Note 9 of the Notes to Consolidated Financial Statements, the Company has sold its Marta Technologies Inc. ("Marta") subsidiary which operated its discontinued centralized automotive emissions testing programs. Pursuant to the agreement, the Company received cash and notes in exchange for the outstanding capital stock of Marta.

In the third quarter of 1998, the Company recognized an additional loss for the disposal of the Marta business in the pretax amount of \$7.3 million (\$4.7 million after related income tax benefit of \$2.6 million), or \$.17 per basic and diluted common share. (This is the primary reason for the reduction in "Assets of discontinued emissions testing business" on the Consolidated Balance Sheet.) This loss provision was principally related to the estimated diminution in value of the Cincinnati, Ohio program. Based on the aforementioned sale, the Company believes that there will be no need for any additional loss provision.

ENVIRONMENTAL

The Company is subject to federal, state and local laws designed to protect the environment and believes that, as a general matter, its policies, practices and procedures are properly designed to prevent unreasonable risk of environmental damage and financial liability. (See also Note 5 of Notes to Consolidated Financial Statements.)

| LIQUIDITY AND CAPITAL RESOURCES | | | | |
|---------------------------------|----------|----------|----------|------|
| <S> | <C> | <C> | <C> | 1996 |
| (\$ millions) | | 1998 | 1997 | |
| Cash flow from operations | \$ (2.3) | \$ 18.0 | \$ 53.6 | |
| Total debt | \$ 140.2 | \$ 104.0 | \$ 56.0 | |
| Stockholders' equity | \$ 250.1 | \$ 260.8 | \$ 226.0 | |
| Debt to equity ratio | .6:1 | .4:1 | .2:1 | |

The decline in cash flow from operations from 1997 to 1998 was due primarily to a decline of approximately \$28.9 million in income from continuing operations. The decline in income was offset, in part, by a lower level of investment in working capital of \$9.9 million, in particular, receivables and inventories. The significant decrease in cash flow from operations in 1997, as compared with 1996, is due primarily to an increased investment in working capital of approximately \$16.1 million and \$24.0 million in tax payments made principally by the Company's European subsidiaries.

The Company continued to make significant investments in the wireless telecommunications industry both in capital improvements (\$22.0, \$27.6 and \$22.2 million in 1998, 1997 and 1996, respectively) and investments in telecommunication companies (\$42.1, \$44.4 and \$16.9 million in 1998, 1997 and 1996, respectively). The 1998 amount includes \$26.4 million for the acquisition of the remaining outstanding minority interest of FOREM. Such amount was included in Accounts Payable in the Consolidated Balance Sheet in 1997, and such payment is a principal reason for the decline in that caption from 1997 to 1998.

As more fully described in Note 2 to the Consolidated Financial Statements, the Company entered into a new \$100.0 million domestic revolving credit agreement in

1998, expiring on December 31, 2001. This facility replaced the Company's existing domestic revolving credit agreement. Borrowings under this new obligation are collateralized by substantially all domestic assets of the Company as well as a pledge of 65% of the stock of applicable domestic and foreign subsidiaries. At December 31, 1998, \$49.3 million is available for borrowing under this agreement and \$37.6 million is available under existing foreign lines of credit.

In 1997, the Company borrowed \$65.0 million in a private placement transaction. These notes bear interest at a weighted average interest rate of approximately 6.65% and have an average outstanding life of 7.5 years. The Company believes this longer term financing strategy is consistent with its investing activities and also affords it an opportunity to take advantage of lower interest rates. In this regard, the Company prepaid certain borrowings with a portion of the proceeds, in the amount of \$15.0 million, which bore interest at the rate of 8.13%. This resulted in a prepayment premium of \$1.0 million, or \$.02 per basic and diluted common share after related income tax effects, and has been reported as an "Extraordinary item" in the Consolidated Statement of Operations.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

In 1996, the Company entered into an agreement to make an equity investment in NextWave Telecom Inc. ("NextWave"), and NextWave agreed to purchase \$50.0 million of equipment and services over a five-year period from the Company. In connection with this agreement, subject to certain preconditions that have not yet occurred, the Company has agreed to provide secured product financing in addition to its investment. In 1998, NextWave and certain of its subsidiaries filed for relief under Chapter 11 of the U.S. bankruptcy code; accordingly, this commitment is, at this time, unlikely to be filled.

The decrease in Other assets in the Consolidated Balance Sheet is due primarily to the sale of the common stock investment in RF Micro Devices, Inc. in 1998, which generated approximately \$14.4 million in cash.

In 1998, the Company used cash of approximately \$2.1 million in the operation of its discontinued Marta business. In 1997, the Company generated cash from Marta in the amount of \$7.8 million as compared with a cash usage of \$6.1 million in 1996. The cash generation in 1997 was due to the settlement of claims with the State of Texas and subsequent sale and disposal of the related assets, which generated \$12.4 million in cash. The Company does not expect that the sale of Marta (as discussed above) will have a significant impact on future cash flow.

Capital expenditures in 1999 are estimated at \$18.0 million, of which \$1.5 million was committed at December 31, 1998.

The Company's working capital position remains strong at 2.9:1.0, as compared with 1.9:1.0 at the end of each of the last two years. The Company believes it has adequate cash liquidity resources (through available borrowing capacity both domestically and in Europe) in the near term to fund operations and capital expenditures. Borrowings under available domestic and European credit lines are expected to be the primary source of liquidity throughout 1999.

YEAR 2000 STATUS REVIEW

Many computer systems and other equipment with software, embedded chips or processors use only two digits to represent the year, and may be unable to accurately process certain data before, during or after the year 2000. If not corrected, these systems could cause date-related transaction failures. This is commonly known as the Year 2000 ("Y2K") issue. This Y2K issue can arise at any point in the Company's supply, manufacturing, distribution and financial chains.

The Company and each of its operating businesses are in the process of implementing a Y2K readiness program with the objective of having all of its business systems, including those that effect the Company's facilities and manufacturing operations, functioning properly with respect to Y2K issues before June 30, 1999.

Each operating business is at a different state in terms of Y2K readiness. Generally, the Company's larger businesses are closer to Y2K readiness than its smaller businesses and outlying sales offices. The Company's Y2K readiness program has been divided into several broad areas, as follows:

1. Computer Hardware / Netware
2. Computer Software / Systems
3. Test Equipment
4. Other Factory Equipment

5. Miscellaneous Office / Building Systems

6. Vendor Compliance

7. Product Compliance

8. Customer Compliance and Interface issues

The first component of the Company's Y2K readiness program is to identify the internal business systems of the Company that are susceptible to system failures of processing errors as a result of this Y2K issue. The Company has substantially completed its identification of computer hardware and netware systems, computer software and related systems and test equipment that may be susceptible to Y2K failures. The Company's principal operating businesses have substantially completed their identification of other factory equipment, and miscellaneous office/building equipment and systems that may be susceptible to Y2K problems. Some of the Company's smaller offices, notably its international sales offices, have not yet completed their assessments of miscellaneous office/building equipment and systems. However, such assessments will be completed early in the second quarter of 1999 and the potential risk at these facilities is not estimated to be significant.

The second part of the Company's Y2K readiness program involves the actual remediation and replacement of internal business systems and embedded chips by June 30, 1999. The Company has substantially completed the actual remediation and replacement of its computer hardware and netware that had potential Y2K issues. The Company is in the process of remediating and/or replacing its computer software and related systems that have potential Y2K issues. Such remediation is on schedule to be completed by June 30, 1999. However, the Company has developed contingency plans with respect to one such software system that is not yet Y2K compliant. Testing with respect to most internal business systems has been performed. Remediation and/or replacement efforts are ongoing with respect to test equipment and other factory equipment that is likely to be susceptible to Y2K failures. Such remediation and/or replacement of equipment and embedded chips is on schedule to be completed by June 30, 1999. Remediation efforts with respect to miscellaneous office/building systems have been slower to develop as the identification of potential issues has been difficult in some international locations. The Company plans to complete final testing by September 30, 1999.

Independent verification of Y2K compliance of these internal software systems is expected to be completed by September 30, 1999. The Company will develop other contingency plans, as necessary, with respect to non-information technology equipment and systems as the Company's readiness program develops further.

As part of the Company's Y2K readiness program, significant service providers, vendors, suppliers and customers that the Company believes are critical to business operations after January 1, 2000, are substantially identified and steps are being taken to reasonably determine their stages of Y2K readiness.

Because of the significant number of business systems used by the Company and the extent of the Company's foreign operations (including some third parties that are not actively promoting Y2K issues), it is reasonably possible that the Company may experience some disruption in its businesses due to the Y2K issue. The Company currently believes that the greatest risk of disruption in its businesses exists in certain international markets. Notwithstanding all of the Company's efforts, there are still many uncertainties regarding the Y2K issue. For example, if the Company is

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MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

unsuccessful in identifying or finding all Y2K problems in its critical operations or if critical customers or suppliers are unsuccessful in resolving Y2K issues, the Company's results of operations or financial condition could be materially impacted.

The Company has developed a Y2K readiness disclosure statement and related disclaimer for use by its divisions to help them comply with the Year 2000 Information and Readiness Disclosure Act. This Federal law precludes the use of any statement made by a company regarding that company's Year 2000 readiness against that company in any future litigation involving Y2K matters. The Company's Y2K readiness disclosure statement is posted prominently on the Allen Telecom website. In addition, The Company has developed a vendor survey with the assistance of counsel and has carefully reviewed with counsel all of its divisions' responses to our customers which cannot be answered simply by use of the standard Y2K readiness disclosure statement. As a result of these actions, the Company believes it has mitigated its exposure to Y2K related litigation.

The total costs that the Company expects to incur in connection with Y2K issues is dependent on the Company's ability to identify Y2K problems, the nature of remediation efforts involved and the ability of third parties (including the

Company's suppliers, vendors and customers) to successfully address their own Y2K issues. The total cost associated with required Y2K remediation efforts is approximately \$2.0 million, of which approximately \$1.0 million was spent through December 31, 1998.

Euro
Effective January 1, 1999, member states of the European Economic and Monetary Union adopted a common currency known as the Euro. Modifications to certain of the Company's information systems software were required in connection with this conversion. The Company's computer software for one of its European businesses was not Euro compliant at year-end 1998, but is expected to be Euro compliant by March 31, 1999. There is no material adverse effect to this European business because its software is not Euro compliant, and alternate systems to accommodate Euro conversions are currently being utilized. Expenses relating to modifications to the Company's software that have been and will be made are nominal. The Company believes that conversion to the Euro has not and will not have any significant operational impact. In addition, the Company does not believe the conversion to the Euro will have a material impact on the results of operations, financial position or cash flow of its European businesses.

**QUANTITATIVE AND QUALITATIVE
DISCLOSURES ABOUT MARKET RISK**

The Company's primary market risk exposure relating to derivatives results from the use of foreign currency forward contracts to offset the impact of currency rates against certain accounts receivable. The contracts entered into at year-end all expire within one year. This procedure of entering into currency rate contracts will diminish significantly in 1999 and thereafter due to the establishment of the European Monetary Union ("EMU") and its introduction of the Euro currency in 1999. A significant portion of the foreign currency contracts involve currencies which are now under the EMU and additional foreign currency forward contracts will not be required as rates on these currencies will not fluctuate or these transactions will be in the Euro currency. The Company does not enter into derivative instrument transactions for trading or speculative purposes.

The Company's on-balance sheet instruments which would be subject to interest rate fluctuation are various components of its long-term debt. The Company believes this fluctuation risk is minimal. Approximately 63% of the Company's long-term debt is fixed rate debt and not subject to interest rate fluctuation. The variable rate debt is primarily made up of the Company's domestic revolving credit facility and industrial revenue bonds. The revolving credit debt interest is determined on a LIBOR or prime rate basis, at the Company's option. The industrial development bonds carry interest rates which are established based on the low yield, tax free bond market.

The table below provides information about the Company's derivative financial instruments and other financial instruments that are sensitive to changes in exchange and interest rates. For derivative instruments, the table presents contract amounts and related weighted average contractual exchange rates by expected maturity date. For debt obligations, the table presents principal cash flows and related weighted average interest rates by expected maturity dates.

ANTICIPATED TRANSACTIONS AND RELATED DERIVATIVES

December 31, 1998

<TABLE>
<CAPTION>

| <S> | Expected Maturity Date | | |
|--------------------------------|------------------------|------------|------------|
| | 1999 | Total | Fair Value |
| Lira Functional Currency: | <C> | <C> | <C> |
| Foreign Exchange Agreements | | | |
| (Receive Lira/Pay DM) | | | |
| Contract Amount | \$ 291.4 | \$ 291.4 | \$ 291.1 |
| Avg. Contractual Exchange rate | 990.0 | 990.0 | 989.3 |
| (Receive Lira/Pay ECU) | | | |
| Contract Amount | \$ 3,667.2 | \$ 3,667.2 | \$ 3,664.9 |
| Avg. Contractual Exchange rate | 1,947.0 | 1,947.0 | 1,945.8 |
| (Receive Lira/Pay FF) | | | |
| Contract Amount | \$ 1,564.5 | \$ 1,564.5 | \$ 1,562.9 |
| Avg. Contractual Exchange rate | 295.3 | 295.3 | 295.0 |

</TABLE>

LIABILITIES

December 31, 1998

<TABLE>
<CAPTION>

| | Expected Maturity Date | | | | | | | Fair Value |
|---------------------------------|------------------------|------------|------------|-------------|-------------|-------------|-------------|-------------|
| | 1999 | 2000 | 2001 | 2002 | 2003 | Thereafter | Total | |
| (US \$ Equivalent in Thousands) | | | | | | | | |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| Long Term Debt | | | | | | | | |
| Fixed Rate (US) | \$ 1,397.0 | \$ 1,525.0 | \$ 4,665.0 | \$ 12,651.0 | \$ 12,817.0 | \$ 43,307.0 | \$ 76,362.0 | \$ 81,203.0 |
| Avg. interest rate | 8.8% | 8.8% | 7.4% | 7.0% | 7.0% | 6.8% | 7.0% | 7.0% |
| Fixed Rate (Lira) | 708.0 | 745.0 | 425.0 | 411.0 | 404.0 | 905.0 | 3,598.0 | 3,598.0 |
| Avg. interest rate | 6.2% | 6.3% | 5.9% | 5.6% | 5.5% | 8.2% | 6.5% | 6.5% |
| Fixed Rate (DM) | 542.0 | 530.0 | 476.0 | 146.0 | 67.0 | -- | 1,761.0 | 1,761.0 |
| Avg. interest rate | 4.4% | 4.5% | 4.4% | 4.1% | 3.5% | -- | 4.4% | 4.4% |
| Fixed Rate (FF) | 108.0 | 108.0 | 108.0 | 71.0 | -- | -- | 395.0 | 395.0 |
| Avg. interest rate | 8.5% | 8.5% | 8.5% | 8.5% | -- | -- | 8.5% | 8.5% |
| Variable Rate (US) | -- | -- | 33,500.0 | -- | -- | 15,500.0 | 49,000.0 | 49,000.0 |
| Avg. interest rate | -- | -- | 7.8% | -- | -- | 3.6% | 6.4% | 6.4% |
| Variable Rate (Lira) | 315.0 | 316.0 | -- | -- | -- | -- | 631.0 | 631.0 |
| Avg. interest rate | 4.7% | 4.7% | -- | -- | -- | -- | 4.7% | 4.7% |

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Five Year Summary of Operations
(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

<TABLE>
<CAPTION>

| | 1998 | 1997 | 1996 | 1995 | 1994 |
|--|-------------|------------|------------|------------|------------|
| | <C> | <C> | <C> | <C> | <C> |
| Five years ended December 31, 1998 | | | | | |
| <S> | | | | | |
| OPERATING RESULTS | | | | | |
| Sales | \$ 388,004 | \$ 432,508 | \$ 369,498 | \$ 306,556 | \$ 213,517 |
| Cost of sales | (293,404) | (281,591) | (238,401) | (189,103) | (127,160) |
| Selling, general and administrative expenses | (71,672) | (72,671) | (59,053) | (49,464) | (43,943) |
| Research & development and product engineering | (30,742) | (30,367) | (21,023) | (17,006) | (8,865) |
| Write-off of in-process research and development costs | -- | -- | (2,662) | -- | -- |
| Other income (loss), net | 6,065 | 1,885 | 952 | 1,556 | (309) |
| Net interest and financing expense | (6,805) | (3,051) | (2,785) | (2,098) | (1,785) |
| Income (loss) before taxes and minority interests | (8,554) | 46,713 | 46,526 | 50,441 | 31,455 |
| Benefit (provision) for income taxes | 5,310 | (17,723) | (19,665) | (20,138) | (11,191) |
| Income (loss) before minority interest | (3,244) | 28,990 | 26,861 | 30,303 | 20,264 |
| Minority interests | (2,268) | (5,009) | (6,305) | (3,027) | (523) |
| Income (loss) from Continuing Operations | (5,512) | 23,981 | 20,556 | 27,276 | 19,741 |
| Discontinued operations: | | | | | |
| Loss from discontinued operations | -- | -- | (3,766) | 5,363 | 9,453 |
| Loss for disposal of emissions testing business | (4,710) | -- | (3,724) | -- | -- |
| Income (loss) before extraordinary item | (10,222) | 23,981 | 13,066 | 32,639 | 29,194 |
| Extraordinary item - extinguishment of debt | -- | (632) | -- | -- | -- |
| Net income (loss) | (\$ 10,222) | \$ 23,349 | \$ 13,066 | \$ 32,639 | \$ 29,194 |
| Earnings (Loss) Per Common Share: | | | | | |
| Basic: Income (loss) | (\$.21) | \$.89 | \$.78 | \$ 1.05 | \$.77 |
| Discontinued operations: | | | | | |
| Loss from discontinued operations | -- | -- | (.14) | .20 | .37 |
| Loss for disposal of emissions testing business | (.17) | -- | (.14) | -- | -- |
| Extraordinary item - extinguishment of debt | -- | (.02) | -- | -- | -- |
| Net income (loss) | (\$.38) | \$.87 | \$.50 | \$ 1.25 | \$ 1.14 |
| Diluted: Income (loss) from continuing operations | | | | | |
| Discontinued operations: | | | | | |
| Loss from discontinued operations | -- | -- | (.14) | .20 | .36 |
| Loss for disposal of emissions testing business | (.17) | -- | (.14) | -- | -- |
| Extraordinary item - extinguishment of debt | -- | (.02) | -- | -- | -- |
| Net income (loss) | (\$.38) | \$.86 | \$.48 | \$ 1.22 | \$ 1.12 |
| FINANCIAL CONDITION | | | | | |
| Total assets | \$ 465,585 | \$ 514,433 | \$ 410,512 | \$ 363,565 | \$ 357,716 |
| Working capital | 133,465 | 111,015 | 94,378 | 93,371 | 107,940 |
| Current ratio | 2.92 | 1.85 | 1.90 | 2.11 | 2.54 |
| Total debt | 140,223 | 104,034 | 55,955 | 55,799 | 45,064 |
| Stockholders' equity | 250,081 | 260,822 | 225,951 | 210,377 | 224,181 |
| Debt to equity ratio | .56 | .40 | .25 | .27 | .20 |
| Book value per common share | 9.10 | 9.55 | 8.44 | 7.92 | 8.59 |

| | | | | | |
|--------------------------------|--------|--------|--------|--------|--------|
| Shares outstanding at year end | 27,473 | 27,298 | 26,763 | 26,570 | 26,107 |
| Return on stockholders' equity | (4.0%) | 9.4% | 6.0% | 14.7% | 14.1% |
| Capital expenditures | 18,094 | 22,247 | 20,992 | 24,498 | 14,833 |
| Depreciation | 15,615 | 12,808 | 12,231 | 8,896 | 7,477 |
| Number of employees | 3,000 | 3,300 | 2,900 | 2,800 | 2,700 |

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Shareholder Information

EXCHANGE LISTINGS

Common Stock
(Ticker Symbol - ALN)
New York Stock Exchange
Pacific Exchange

TRANSFER AGENT AND REGISTRAR

Harris Trust Company of New York
600 Superior Avenue East, Suite 600
Cleveland, OH 44114-2650
(800) 942-5909

AUDITORS

PricewaterhouseCoopers LLP
Cleveland, Ohio

FORM 10-K OR ADDITIONAL

INFORMATION ABOUT THE COMPANY

Stockholders and others interested in obtaining additional information about the Company may do so by writing or calling Allen Telecom Inc., 25101 Chagrin Blvd., Beachwood, Ohio, 44122-5687, (216) 765-5855. The Form 10-K Annual Report, including financial statements and schedules, will be furnished without charge. Information concerning the Company can also be found on the Internet at <http://www.allentele.com>.

AFFIRMATIVE ACTION POLICY

It is the policy of Allen Telecom Inc. that all employees will be judged on the basis of qualifications and ability, without regard to age, sex, race, creed, color or national origin, in all personnel actions. No employee or applicant for employment will receive discriminatory treatment because of physical or mental handicap in regard to any position for which the employee or applicant for employment is qualified.

STOCKHOLDERS

As of March 3, 1999, Allen Telecom Inc. had 27,504,546 outstanding shares of Common Stock owned by 1,745 holders of record.

ANNUAL STOCKHOLDERS' MEETING

The Annual Meeting of Stockholders will be held at the Cleveland Marriott at Key Center, 127 Public Square, Cleveland, Ohio on Friday, April 30, 1999 at 9:30 a.m.

| (dollars per share) | 1998 | 1997 | 1996 | 1995 | 1994 |
|---------------------|------|------|------|--------|--------|
| | <S> | <C> | <C> | <C> | <C> |
| 1st Quarter | - | - | - | \$.05 | \$.04 |
| 2nd Quarter | - | - | - | \$.05 | \$.04 |
| 3rd Quarter | - | - | - | \$.05 | \$.04 |
| 4th Quarter | - | - | - | - | \$.04 |

| <TABLE> <CAPTION> Stock price (dollars per share) | | |
|---|---------|---------|
| <S> | <C> | <C> |
| 94 | \$13.50 | \$25.63 |
| 95 | \$21.25 | \$39.38 |
| 96 | \$14.00 | \$28.75 |
| 97 | \$16.00 | \$30.00 |
| 98 | \$4.69 | \$21.13 |

<TABLE>
<CAPTION>
MARKET PRICE RANGE OF COMMON STOCK

| (dollars per share) | 1998 | | 1997 | | 1996 | |
|---------------------|-------------|------------|-------------|------------|-------------|------------|
| | High <S> | Low <C> | High <C> | Low <C> | High <C> | Low <C> |
| 1st Quarter | 21 1/8 | 15 1/2 | 26 3/8 | 16 | 23 1/4 | 16 7/8 |
| 2nd Quarter | 17 7/16 | 9 9/16 | 24 1/8 | 16 1/2 | 28 3/4 | 18 7/8 |
| 3rd Quarter | 11 5/8 | 6 3/16 | 29 1/8 | 18 3/4 | 22 1/2 | 14 |
| 4th Quarter | 8 3/8 | 4 11/16 | 30 | 16 | 23 3/4 | 14 3/4 |

SUBSIDIARIES OF THE ALLEN TELECOM INC.

The following is a list of the subsidiaries of Allen Telecom Inc. (Delaware, 02-03-69), and indented, subsidiaries of such subsidiaries, including in each case the state or other jurisdiction in which each subsidiary was incorporated or organized, and indicating in each case the percentage of voting securities owned by the immediate parent.

<TABLE>
<CAPTION>

| NAME OF CORPORATION | STATE/COUNTRY OF INCORPORATION | DATE | % |
|--|--------------------------------|----------|-----|
| <S> | <C> | <C> | <C> |
| The Allen Group Canada Limited | Ontario, Canada | 04-19-72 | 100 |
| The Allen Group Internat'l Sales Corp. | Barbados | 09-15-94 | 100 |
| The Allen Group International, Inc. | Delaware | 07-19-73 | 100 |
| Allen Telecom Holdings G.m.b.H. | Germany | | 100 |
| Allen Telecom GmbH | Germany | 07-28-90 | 100 |
| Allen Telecom Canada, Inc. | Ontario | 04-14-93 | 100 |
| Allen Telecom Civil Law Partnership GbR(2) | Germany | 10-01-98 | 100 |
| Allen Telecom (France) S.A. (3) | France | 04-09-97 | 100 |
| Telia S.A. (4) | France | 10-19-90 | 72 |
| Allen Telecom Group Limited (1) | U.K. | 05-08-72 | 100 |
| Allen Telecom (Holdings) Pty Limited | Australia | 07-18-96 | 100 |
| Allen Telecom (Australia) Pty Limited | Australia | 07-23-96 | 100 |
| Allen Telecom (Hong Kong) Limited (5) | Hong Kong | 04-25-97 | 100 |
| Allen Telecom Investments, Inc. | Delaware | 04-01-97 | 100 |
| Allen Telecom (Mauritius) Holdings Ltd. | Mauritius | 11-25-97 | 100 |
| Decibel Products (Guangzhou) Ltd. | China | 01-19-98 | 100 |
| Allen Telecom (Singapore) Pte Limited | Singapore | 06-03-97 | 100 |
| Allen Telecommunicacoes do Brasil Ltda (6) | Brazil | 11-95 | 100 |
| Antenna Specialists Co., Inc. | Delaware | 10-07-88 | 100 |
| Antespec, S.A. de C.V. | Mexico | 11-14-88 | 100 |
| ATI International, Inc. | Delaware | 12-10-97 | 100 |
| Allen International (Netherlands) BV | Netherlands | 06-19-98 | 100 |
| Allen Telecom (Netherlands) BV | Netherlands | 07-21-98 | 100 |
| Allen Telecom Italia Europe S.r.l. | Italy | 10-10-97 | 100 |
| FOREM S.r.l. | Italy | 11-14-94 | 100 |
| FOREM France E.u.r.l. | France | 1993 | 100 |
| FOREM (UK) Limited | U.K. | 1988 | 100 |
| Mikom G.m.b.H. (7) | Germany | 05-07-85 | 74 |
| Mikom Vertriebs und Service | Austria | 10-18-96 | 60 |
| GmbH (8) | | | 60 |
| Mikom Slovakia, s.r.o. (9) | Slovakia | 05-30-97 | 60 |
| Mitras Ltd. (10) | Hungary | 1992 | 60 |
| C-com, spol. s.r.o. | Czechoslovakia | 02-26-96 | 25 |
| Tekmar Sistemi S.r.l. | Italy | 09-20-80 | 100 |

</TABLE>

2

<TABLE>
<CAPTION>

| <S> | <C> | <C> | <C> |
|--|------------|----------|-----|
| Comsearch Holdings Inc. | Delaware | 08-22-97 | 100 |
| Comsearch UK Limited | U.K. | 03-06-98 | 100 |
| Telespectro de Mexico, S.A. de C.V. (11) | Mexico | 11-97 | 100 |
| Decibel Mobilcom Limited (1) | England | 01-31-91 | 100 |
| Orion Far East Management Inc. (1) | Delaware | 07-16-81 | 100 |
| Orion Industries, Inc., Limited (1) | Hong Kong | 06-01-71 | 100 |
| Orion Imports & Exports Limited (1) | Hong Kong | 09-07-73 | 100 |
| Orion Industries, Inc. Japan (1) | Japan | 09-73 | 100 |
| Orion Industries Taiwan Limited (1) | Taiwan | 10-73 | 100 |
| Signal Science, Incorporated | California | 09-25-74 | 100 |

- (1) These subsidiaries are not significant in the aggregate and are no longer active.
- (2) 90% of this partnership is owned by Allen Telecom Inc. and the remaining 10% is owned by Allen Telecom investments, Inc.
- (3) Of the 2,500 shares issued and outstanding, 2,494 shares are owned by Allen Telecom Inc. and the remaining 6 shares are owned in name only by Allen employees.
- (4) Of the 10,000 shares issued and outstanding, 7,196 shares are owned by Allen Telecom (France) S.A., 4 shares are owned by Allen employees, and Allen Telecom (France) SA. owns options to acquire the remaining 2,800 shares.
- (5) Of the 1,000 shares issued and outstanding, 999 shares are owned by Allen Telecom Inc. and 1 share is owned by Allen Telecom Investments, Inc.
- (6) 99% of the outstanding capital stock of this subsidiary is owned by Allen Telecom Inc. and the remaining 1% is owned by Allen Telecom Investments, Inc.
- (7) 62% of the outstanding capital stock of this subsidiary is owned by FOREM S.r.l., 12% is owned by Allen Telecom Holdings G.m.b.H., and the remaining 26% is owned by the managing director of Mikom G.m.b.H.
- (8) 60% of the outstanding capital stock is owned by Mikom G.m.b.H. and the remaining 40% is owned by Allen Telecom Inc.
- (9) 60% of the outstanding capital stock is owned by Mikom Vertreibs und Service G.m.b.H. and the remaining 40% is owned by the partners of Mikom Vertreibs und Service G.m.b.H. in the venture.
- (10) 60% of the outstanding capital stock of this subsidiary is owned by Mikom G.m.b.H. and the remaining 40% is owned by senior management of Mitras Ltd.
- (11) 98% of the outstanding capital stock of this subsidiary is owned by Comsearch Holdings, Inc. and the remaining 2% is owned by Allen Telecom Investments, Inc.

March 17, 1999

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the Registration Statement on Form S-3 (File No. 333-13467) and on the Registration Statements on Form S-8 (File Nos. 33-58951, 33-53499, 33-53487, 33-5240, 33-8658 and 2-99919) and the related Prospectuses of Allen Telecom Inc. of (a) our report dated February 16, 1999, except as to paragraph five of Note 9, which is as of March 1, 1999, on our audits of the consolidated financial statements of Allen Telecom Inc. as of December 31, 1998 and 1997 and for the years ended December 31, 1998, 1997 and 1996, which report has been incorporated by reference in this Annual Report on Form 10-K from the 1998 Annual Report to Stockholders of Allen Telecom Inc. (a copy of which is filed as Exhibit 13 to this Report) and appears on page 26 therein, and (b) our report dated February 16, 1999, except as to paragraph five of Note 9, which is as of March 1, 1999, on our audits of the financial statement schedule for the years ended December 31, 1998, 1997 and 1996 of Allen Telecom Inc., which report appears on page 13 in this Annual Report on Form 10-K. We also consent to the references to our firm in the above-mentioned Prospectuses under the caption "EXPERTS".

PricewaterhouseCoopers LLP

Cleveland, Ohio
March 26, 1999

<TABLE> <S> <C>

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM ALLEN TELECOM'S DECEMBER 31, 1998 CONSOLIDATED FINANCIAL STATEMENTS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

</LEGEND>

<MULTIPLIER> 1,000

| <S> | <C> |
|------------------------------|-------------|
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| <FISCAL-YEAR-END> | DEC-31-1998 |
| <PERIOD-END> | DEC-31-1998 |
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| <SECURITIES> | 0 |
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| <ALLOWANCES> | (3,189) |
| <INVENTORY> | 84,735 |
| <CURRENT-ASSETS> | 202,963 |
| <PP&E> | 120,870 |
| <DEPRECIATION> | (59,293) |
| <TOTAL-ASSETS> | 465,585 |
| <CURRENT-LIABILITIES> | 69,498 |
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| <TOTAL-LIABILITY-AND-EQUITY> | 465,585 |
| <SALES> | 388,004 |
| <TOTAL-REVENUES> | 388,004 |
| <CGS> | (293,404) |
| <TOTAL-COSTS> | (293,404) |
| <OTHER-EXPENSES> | (101,761) |
| <LOSS-PROVISION> | (653) |
| <INTEREST-EXPENSE> | (6,805) |
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| <EXTRAORDINARY> | 0 |
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| <EPS-PRIMARY> | (.38)<F1> |
| <EPS-DILUTED> | (.38)<F1> |
| <FN> | |

<F1>The Earnings per Share amounts have been calculated in accordance with the provisions of Statement of Financial Accounting Standards No. 128, "Earnings per

Share". The above captions for primary and fully diluted include the basic and diluted EPS amounts, respectively.

</FN>

</TABLE>