

SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **1996-12-30** | Period of Report: **1996-09-29**
SEC Accession No. **0000950137-96-002722**

([HTML Version](#) on secdatabase.com)

FILER

U S ROBOTICS CORP/DE/

CIK: **933353** | IRS No.: **363994412** | State of Incorpor.: **DE** | Fiscal Year End: **1001**
Type: **10-K** | Act: **34** | File No.: **000-25630** | Film No.: **96688245**
SIC: **3661** Telephone & telegraph apparatus

Business Address
8100 N MCCORMICK BLVD
SKOKIE IL 60076
8479825010

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

FORM 10-K

(MARK ONE)

/x/ Annual Report Pursuant to Section 13 or 15 (d) of The Securities
Exchange Act of 1934.
[Fee Required]
FOR THE FISCAL YEAR ENDED SEPTEMBER 29, 1996

or

/ / Transition report pursuant to Section 13 or 15 (d) of The Securities
Exchange Act of 1934.
[No Fee Required]
For the transition period from to

Commission file number: 0-25630

U.S. ROBOTICS CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)
8100 NORTH MCCORMICK BOULEVARD, SKOKIE, ILLINOIS
(Address of principal executive offices)

36-3994412
(I.R.S. Employer
Identification No.)
60076-2999
(Zip Code)

Registrant's telephone number, including area code (847) 982-5010

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

Title of each class

COMMON STOCK, \$.01 PAR VALUE PER SHARE
PREFERRED STOCK PURCHASE RIGHTS

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of
1934 during the preceding 12 months (or for such shorter period that the
registrant was required to file such reports), and (2) has been subject to such
filing requirements for the past 90 days. YES 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 in Part III of this Form 10-K or any amendments to this
Form 10-K / /

THE AGGREGATE MARKET VALUE OF THE VOTING STOCK HELD BY NONAFFILIATES OF
THE REGISTRANT AS OF DECEMBER 13, 1996, (BASED ON THE CLOSING PRICE AS REPORTED
BY NASDAQ AS OF SUCH DATE) WAS \$6,360,074,192.

THE NUMBER OF SHARES OF THE REGISTRANT'S COMMON STOCK, \$.01 PAR VALUE PER
SHARE, OUTSTANDING AS OF DECEMBER 13, 1996, WAS 88,907,629.

Documents Incorporated By Reference
PORTIONS OF THE PROXY STATEMENT FOR REGISTRANT'S 1997 ANNUAL MEETING OF
STOCKHOLDERS TO BE HELD ON MARCH 5, 1997, ARE INCORPORATED BY REFERENCE IN PART
III.

CROSS REFERENCE SHEET
AND
TABLE OF CONTENTS

<TABLE> <CAPTION>	PAGE NO. OR REFERENCE -----
<S>	<C>
Item 1. Business.....	3
Item 2. Properties.....	13
Item 3. Legal Proceedings.....	14
Item 4. Submission of Matters to a Vote of Securities Holders.....	14
Item 4a. Executive Officers and Directors of the Registrant.....	15
Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.....	18
Item 6. Selected Financial Data.....	19
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	20
Item 8. Financial Statements and Supplementary Data.....	25
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.....	43
Item 10. Directors and Executive Officers of the Registrant.....	44
Item 11. Executive Compensation.....	44
Item 12. Security Ownership of Certain Beneficial Owners and Management.....	44
Item 13. Certain Relationships and Related Transactions.....	44
Item 14. Exhibits, Financial Statement Schedule and Reports on Form 8-K.....	45

</TABLE>

2

3

PART I

ITEM 1. BUSINESS

THE COMPANY

U.S. Robotics Corporation, through its operating subsidiaries, (collectively, the "Company" or "U.S. Robotics") is one of the world's leading suppliers of products and systems that provide access to information. The Company designs, manufactures, markets and supports remote access servers, enterprise communications systems and desktop and mobile client products, including modems, LAN adapter cards, hand-held computing devices and telephony products, that connect computers and other equipment over analog, digital, wireless, and switched cellular networks, enabling users to gain access to, manage, and share data, fax, voice, sound, and video information. The Company offers reliable, cost-effective solutions at all points of network access, from the data communications center to the desktop to the mobile user. The Company designs its products to comply with all major international, domestic and proprietary communications standards and protocols. Many of the Company's products are designed using proprietary software and architectures which facilitate greater functional integration at both the circuit board and systems levels. This enables the Company to be early to market with new and enhanced products as technologies and standards evolve and to offer its customers flexible solutions which both meet their immediate needs and provide them with a longer term communications technology implementation path. Additionally, when U.S. Robotics-designed products are present at both ends of a communications link, performance and reliability can be enhanced.

U.S. Robotics' product lines include a wide variety of dial-up modems, flexible and scaleable wide area network ("WAN") hubs, local area network ("LAN") access and switching products, telephony products, and hand-held electronic connected organizers. The Company's products are sold under the master corporate brand name "U.S. Robotics" and under the product line brand names Courier(TM), Megahertz(R), Sportster(R), Total Control(TM), TOTALswitch(TM), ConferenceLink(TM), Pilot(TM) and WorldPort(R). To provide the broadest possible exposure to prospective purchasers and users of its products, the Company is active in all major domestic and international distribution channels. The Company also manufactures and sells its products to selected original equipment manufacturer ("OEM") customers.

As part of the Company's ongoing efforts to expand its product offerings for all network access points, in February 1996, the Company acquired Amber Wave Systems, Inc. ("Amber Wave"), a technology leader in workgroup LAN switching. This acquisition complements the Company's systems products and has enabled the

Company to offer low-cost LAN switching products for corporate customers. On August 28, 1996, the Company completed its acquisition of Scorpio Communications Ltd. ("Scorpio"), which designs, manufactures, and sells scaleable, fully-redundant, fault-tolerant ATM (Asynchronous Transfer Mode) switches that target workgroup LAN, corporate backbone and WAN access environments. This acquisition helped round out the Company's LAN switching offerings by extending this product line beyond workgroup Ethernet switches into ATM switching, thereby giving the Company a more comprehensive portfolio of switching and ATM products to offer to its customers.

INDUSTRY OVERVIEW

The ability to access, manage and share information, whether in the form of data, fax, voice, sound or video, is becoming increasingly important as organizations and individuals seek to improve productivity and effectiveness. Recent trends in organizational and personal computing and communications capabilities, as well as the increasing availability of electronic and digital information on corporate Intranets, the Internet and other on-line sources, have converged to stimulate unprecedented demand for personal computers and data communications equipment. The Company believes that the demand for information access will continue to grow and that further advances in computer and communications technology will bring increasingly powerful capabilities to many more users in nearly every conceivable location and environment. These trends represent significant opportunities for businesses which possess the vision, expertise, technology and other resources to develop the sophisticated products that will be required to meet users' evolving needs.

3

4

COMPANY STRATEGIES

Historically, U.S. Robotics focused its efforts on developing and marketing dial-up modems, which allow personal computers to communicate over WANs (primarily the public switched telephone network). As a result, the Company developed significant expertise in digital-to-analog and analog-to-digital signal conversion and in high speed data transmission over the public switched telephone network ("PTSN"). This expertise has become increasingly important with the advent of digital networks and communications services which must interconnect with the existing analog networks.

Anticipating the need for products which support communications in hybrid analog/digital environments, U.S. Robotics developed a strategy based on providing customers with seamless connectivity and a flexible, cost-effective approach to rapidly changing technologies, standards and services. In order to provide such solutions, the Company decided to offer a broad range of products and systems targeted at all of the key network access points -- in the data communications center, at mobile sites and on the desktop. To complement its strength in desktop products, the Company developed its Total Control product line, starting with the Total Control Enterprise Network Hub (the "Total Control Hub"), which was first shipped in fiscal 1993. The Total Control Hub chassis is designed to serve as a modular, scaleable, high density platform for a wide range of existing and future communications interfaces and applications.

The Company has also actively pursued business combinations and strategic alliances with the objective of broadening its product lines and technological capabilities so as to meet the needs of end-users for high performance products for connecting with the network at all access points. In February 1995, the Company became a very significant participant in the PC Card market for mobile computer users with its acquisition of Megahertz Holding Corporation ("Megahertz"). Also, during 1995, U.S. Robotics acquired ISDN Systems Corporation and Palm Computing, Inc. As noted above, during 1996 the Company acquired Amber Wave and Scorpio.

In October 1996, the Company announced a key breakthrough in modem technology that provides for Internet, on-line and remote access connections capable of downloading information at speeds nearly twice as fast as those previously available over regular analog telephone lines. This new technology, named "x2(TM)", increases the top speed for receiving data "downstream" over the PTSN to levels in the range of 52 to 56 Kbps without the need for expensive new central office equipment required by other high-speed technologies and without modifications to existing telephone wiring. This model is ideal for Internet or remote access because information sent to the individual desktop is typically graphics-based and requires a high-performance channel. User requests, such as http and internet browser commands, require less bandwidth and can be transmitted quickly "upstream" at the standard 28.8 or 33.6 Kbps speeds.

As with any data communications protocol, x2 technology must be present on both ends of the call to achieve these high speed connections. By providing both systems and client modem products that are x2 capable, U.S. Robotics will

offer an end-to-end higher speed solution for both individuals and service providers. Further, the installed base of U.S. Robotics systems products and many of the client modem products sold in the past, especially since the August 1996 announcement of x2, can be upgraded to x2 easily through a simple software download or, in the case of some Sportster modems, a memory chip replacement.

The Company's objective is to maintain and enhance its leadership position in the information access market by leveraging its strengths in the areas of communications technologies, customer driven product design, marketing and distribution channel partnerships, international presence, manufacturing and human and financial resources. Specifically, the Company intends to continue to implement the following key strategies:

- Emphasize Research and Development. Continue the Company's commitment to research and development efforts to enable it to (i) control key components of technologies fundamental to its business, (ii) be early to market with products that are responsive to customers' changing needs and (iii) reduce manufacturing costs.
- Provide Broad Based Access Solutions. Continue to expand product offerings to address the large and growing markets for information access and communications solutions at all levels and at all points of access, from home and mobile users, to the corporate desktop, to the data communication centers of businesses and information and communication service providers.
- Leverage and Expand Presence at All Points of Information Access. Leverage the Company's position as a provider of end-to-end access solutions by continuing to offer products at all points of information access, thereby providing enhanced performance, reliability, and value for customers.

4

5

- Maintain and Expand Distribution Channels. Build upon the Company's presence in all of the distribution channels, including the Company's traditional two-tier distribution channel partnerships, the retail channel, value added resellers, direct corporate sales and OEMs.
- Expand International Presence. Expand the Company's international presence by establishing additional sales offices, entering into alliances with distributors in geographic areas in which the Company is not currently operating or represented and introducing mobile and systems products on a global basis.
- Pursue Strategic Alliances and Acquisitions. Pursue additional strategic alliances and acquisitions to further enhance the Company's product offerings, markets or capabilities, whenever such transactions or relationships are consistent with the Company's overall strategic direction.
- Enhance Product Quality and Value. Continue to enhance product quality and value, as well as the Company's operating efficiency and profitability, by maintaining a well-trained and highly motivated work force and by investing in state-of-the-art manufacturing capacity, generally located in close proximity to the Company's research and development and product and customer support activities.

PRODUCTS

U.S. Robotics' products fall into two general categories -- systems products (network hubs, modem pools, remote access servers, and LAN switching products sold under the Total Control and TOTALswitch brand names) and personal computer related ("PC-related") products (high speed desktop and PC card modems, LAN adapter cards, hand-held connected electronic organizers, and telephony products sold under the Sportster, Megahertz, Courier, Worldport, Pilot, and ConferenceLink brand names). The Company's product development, marketing, sales and support operations are generally organized to focus on these categories. The Network Systems Division has responsibility for systems products and the Courier brand desktop modems, the Mobile Communications subsidiary has responsibility for PC-related mobile and wireless products, the Personal Communications Division has responsibility for PC-related desktop modems and telephony products, and the Palm Computing subsidiary has responsibility for the Pilot hand-held products.

Systems Products

U.S. Robotics' systems products include scaleable network hubs, modem pools, remote access servers, and LAN switching devices to support a variety of information access functions in the data centers, branch offices and small

businesses and at major information service providers. These products are sold mainly under the Total Control and TOTALswitch brand names.

The Total Control Hub is a high density platform for the integration of LANs and WANs to support a wide variety of dial-up applications at a low per port cost. Uses of the Total Control Hub range from providing central site or point-of-presence access to networks for Internet service providers, on-line information services, interexchange carriers and corporations to transaction processing applications such as credit card verification. The Total Control Hub consists of a standard chassis with a midplane and slots to accommodate up to 16 communications card sets (each set consisting of either a network applications card and a network interface card or a single network applications card, and referred to herein as a "communications module") plus an SNMP (simple network management protocol) network management card and dual power supplies. The communications modules communicate with one another and with the management card over high speed buses in the mid-plane.

The Total Control Hub integrates the capabilities of channel banks, DSU/CSUs, modems, ISDN equipment, routers, X.25 PADs, and terminal servers in a single chassis. Its flexible platform provides ISDN or analog dial access to asynchronous hosts, Frame Relay, X.25, Ethernet or Token Ring networks. The modular design and flexible architecture of the Total Control Hub allow the Company to add new technologies and functionalities in order to meet evolving customer needs. These communications modules can be configured and managed remotely through the network management card, and the functionality and features of the various communications modules can be upgraded through software downloads. For example, internet service providers and other businesses employing the Company's Total Control Hubs can easily add the Company's new x2 technology through a downloadable software upgrade, thus satisfying their subscribers'

5

6

ever increasing need for fast information access and enhanced functionality while preserving the investment they have made in access equipment.

A recent addition to the Total Control product family is the EdgeServer(TM) Card ("EdgeServer"). The EdgeServer is an innovative, powerful front-end internet, intranet, remote access and collaborative communications solution that integrates server functionality, communications interfaces, and the high-performance capabilities of Microsoft(R) Windows NT(TM) in the Total Control Hub. EdgeServer provides remote users with an organized way to access widely dispersed information stored on multiple file servers on a LAN. The EdgeServer enables access for remote users to services which are typically available to a LAN-connected user and provides for quicker remote user access by bringing application processing to the network edge.

In order to serve the needs of branch locations, bulletin boards and other users and sites requiring 16 or fewer modem ports, U.S. Robotics offers 8 and 16 port modem pools in its Total Control product line. The Company also offers stand-alone 8 and 16 port versions of its Total Control NETServer(TM) product. Like the NETServer module for the Total Control Hub, these products offer sophisticated, multi-port LAN access, but in a less powerful package for smaller networks or offices. The Company's MP/8 and MP/16 modem pool products integrate 8 or 16 U.S. Robotics V.Everything(R)/V.34 modems in a compact, self-contained unit. The MP/8 and MP/16 are designed to be connected to a variety of terminal servers, communications processors and access servers.

The TOTALswitch LAN switching Hub is a flexible platform that improves LAN performance by segmenting or replacing shared networks. It provides the bandwidth needed to support high-speed applications and eliminate traditional network congestions. TOTALswitch allows simultaneous communications, consistent rapid response times, improved server throughput, and increased network capacity by delivering dedicated bandwidth on every port. The TOTALswitch consists of a modular chassis which can hold up to four Switched LAN Cards ("SLCs") that can support from 2 to 32 ports. The functionality, standards, and features of the SLCs can be upgraded through software downloads.

The Company plans to continuously add functionality in its systems products, with particular focus on leveraging the flexible architecture of the Total Control Hub. U.S. Robotics expects to continue investing in new technologies such as x2, wireless, switching and broadband access, including xDSL and cable, during fiscal 1997. To supplement its own development efforts, U.S. Robotics has entered into strategic alliances, technology licenses and business combinations with other companies and will continue to explore such possibilities in the future.

PC-related Products

The Company's PC-related products include a variety of high speed dial-up modems, in internal and external desktop and PCMCIA ("PC Card") form factors,

LAN adapter PC Cards, hand-held connected electronic organizers, and high performance conference telephones. These products are sold under the Sportster, Courier, Megahertz, Worldport, Pilot, and ConferenceLink product brand names.

Desktop Products

U.S. Robotics' desktop modem products are sold under the Sportster and Courier brand names and primarily consist of high speed dial-up modems in both external and internal (for insertion into a personal desktop computer) form factors. Most of these products are designed based upon the Company's proprietary data pump architectures, and they offer reliable connections in compliance with virtually all official and most proprietary data communications standards.

The Company's largest selling brand is its entry level dial-up modem, Sportster. Targeted at home office and professional users, Sportster products are available with transmission speeds up to 28.8/33.6 Kbps in internal and external form factors. The Company's high speed Sportster products are V.34-compliant and support other official and proprietary transmission speed standards for data and fax. Most models also incorporate industry standard fax capability, error control and data compression. As described below, some Sportster products shipped during 1996 are upgradeable to the new x2 technology.

The Courier product family, targeted at corporate and advanced users, features modems ranging up to the Courier V.Everything(TM). The Courier V.Everything modem provides universal compatibility at the highest available standard transmission speed and supports all major high speed protocols,

6

7

including V.34 (28.8/33.6 Kbps) and AT&T's V.32 terbo (19.2 Kbps), as well as V.17, the international standard for fax communication at 14.4 Kbps. Newer models of the Courier high speed modems may be upgraded by users in the field through a downloadable software upgrade. Using the Company's proprietary data pump architectures, these products contain unique features such as Quick Connect(TM) and Adaptive Speed Leveling(TM) ("ASL"), which can improve connect time, transmission speed and performance when two U.S. Robotics-designed modems communicate with each other. ASL adjusts transmission speed dynamically and automatically in response to network conditions. In addition, Courier modems include remote configuration and help screen command summaries.

Beginning in the second quarter of fiscal 1997, the Company will offer its new x2 technology ("down stream" transmissions at top rates in the range of 52 to 56 Kbps over regular analog telephone lines) in both the Sportster and Courier line of desktop modems. Some of the Company's desktop modems sold prior to the announcement of the x2 technology will be upgradeable via downloadable software upgrades or through the substitution of memory chips.

Some of the features available in the Company's desktop modem products include voice mail, speaker-phones, and simultaneous voice and data transmission over a single analog line. The Company anticipates adding new features and functionalities to its desktop products. For example, recent product announcements have included the "Bigpicture(TM)" system which includes a U.S. Robotics 28.8/33.6 Kbps voice/video and fax-modem, a color video camera, and a video capture card and allows users to make video phone calls and send video e-mail. In the future, the Company expects to explore other opportunities to incorporate voice, sound and video capabilities into its products as the personal computer comes to be viewed more as a multi-function communications center.

Mobile Communications Products

The Company's mobile communications products consist primarily of high speed dial-up PCMCIA ("PC Card") modems, including cellular capable modems, sold under the Megahertz, Sportster, Courier and WorldPort brand names.

Most of the Company's PC Card modems are sold under the Megahertz brand name. These industry-leading modems feature the patented XJACK(R) connector system. This convenient RJ11 connector is built into the PC Card, eliminating the inconvenience of a proprietary external connector. Megahertz modems are currently built to comply with the V.34 standard using modem chipsets supplied by Rockwell International or Lucent Technologies. In the future, the Company intends to shift some of its Megahertz brand PC Card modems to a proprietary architecture and introduce its new x2 technology, into this product line as well as its other branded PC Card modems. Other PC card features include Digital Line Guard, which prevents the modem from connecting to damaging high-voltage lines, and automatic installation and configuration software for quick and easy initial setup.

The Company has developed direct-connect PC Card modems that allow users to communicate from their mobile computers through any of the largest selling

cellular phones. The cellular capable modems feature dual functionality, offering a choice of connecting through a cellular phone or through a standard land telephone line.

The Company's AllPoints(TM) Wireless PC Card for notebook computers and hand-held computing devices allows users to access the Internet, corporate LANs, and other on-line services in order to send and receive e-mails, access databases, fax documents, transfer files, and access news and other information without the use of a standard telephone line. The antenna-equipped AllPoints card fits into a type II PC Card slot, operates on a 9-volt NiCad battery and uses radio waves to send and receive information. Operating over the radio-based RAM Mobile Data Network, the AllPoints Wireless PC Card offers the freedom of nationwide wireless communications to the majority of the urban business population.

In addition to modems, the Company also offers Megahertz brand PC Card Ethernet adapters for mobile users who have portable machines as their primary computers and need network connectivity within an office environment. The Ethernet adapters support all leading network operating systems. The Company has also developed a combination modem/Ethernet adapter card which offers the power and convenience of a modem and a LAN adapter in one PC Card. The combination card features simultaneous Ethernet and modem capability, driver support for all major network operating systems, diagnostic LEDs and automatic installation and configuration software.

7

8

U.S. Robotics' mobile communications product development efforts are focused on understanding the mobile and wireless communications needs of customers in light of emerging technologies, services and standards. The Company anticipates adding new features and functionalities to its PC Card product lines in order to enhance the communications capabilities and ease of use of various mobile computers and information access devices.

Hand-held Electronic Connected Organizers

U.S. Robotics' Pilot connected organizer, launched in the second quarter of fiscal 1996, is a hand-held computing device designed to work as a companion product to desktop and laptop computers, allowing personal information management both remotely and on the desktop. The Pilot includes a docking cradle which is connected to the user's Windows PC or Macintosh computer and allows for automatic back-up and seamless synchronization of information between the Pilot device and the larger computer, thus ensuring that both systems have the most current information. The Pilot organizer, which is based upon the proprietary Palm OS (operating system) software, also includes character recognition software which allows the user to add and edit information with a stylus while away from the desktop. This combination means that users can carry and edit their personal data, such as thousands of addresses, phone numbers, appointments, and personal notes with them everywhere they go. The Palm OS has been made widely available to independent software developers who are producing a variety of applications, utilities and games for the Pilot platform.

8

9

Telephony Products

U.S. Robotics' introduction of telephony products during 1996 represents the Company's application of its digital signal processing (DSP) expertise into telephone-based information access products that provide integrated communications solutions. U.S. Robotics' telephony products are sold under the ConferenceLink product brand name and consist of full-duplex conference speakerphones featuring automatic gain control and SimulCom(TM) technology which allows users to speak and listen simultaneously for smooth, natural two-way, conversation.

TECHNOLOGY AND PRODUCT DEVELOPMENT

The Company believes that its product development and design strategy, which seeks to incorporate existing standards and technologies into innovative products, enables the Company to develop and introduce products quickly in response to identified market trends. The Company uses information derived from participation in industry organizations, internal research, third-party publications, customer participation and OEM relationships to make design and product selection decisions.

The Company's research and development functions are divided among its advanced development group and several product development and support groups.

The advanced development group focuses on the development of core product architectures and computational algorithms that may have applications across multiple product lines. This group concentrates on identifying trends in semiconductor performance and features one to two years ahead of commercial availability and creates and maintains the proprietary software programming that is key to core data pump functions. The respective product development groups work with product managers, sales and marketing personnel, manufacturing engineers and customers to develop specific solutions for application in the systems, mobile and desktop user environments and to adapt products for international markets.

Most of the Company's products are designed using proprietary software programs that run on digital signal processors and microprocessors. These designs allow for rapid modification or addition of product features. As a result, the Company believes it is well-positioned to exploit advances in semiconductor technology quickly, introducing new features and improving performance faster and at a lower cost than many of its competitors. Also, controlling the software content and architecture of its data pumps enables the Company to offer upgrades to several of its products through software downloads to flash ROM (read only memory) components. For example, the Total Control Hub is designed as a flexible, modular platform to accommodate the addition of new features and capabilities on a continuing basis. Because U.S. Robotics' products are flexible and easy to modify, the Company believes it is well positioned to respond rapidly to emerging trends in data communications and to be first to market with industry leading innovations such as the EdgeServer and the new x2 technology. Internal development of software algorithms also allows the Company to add unique features to its products that provide superior performance when two U.S. Robotics products communicate with each other.

On September 29, 1996, the Company's research and development organization included 1,100 people organized into several groups including advanced development, systems product development (including subgroups working on xDSL, cable, wireless, WAN internetworking, and LAN access and network management), personal communications product development, mobile and wireless product development, hand-held computing product development, international product development, communication systems and engineering services. Research and development expenditures were \$109.4 million, \$52.5 million and \$29.3 million in the fiscal years ended September 29, 1996, October 1, 1995, and October 2, 1994, respectively.

MARKETING, SALES, DISTRIBUTION AND SUPPORT

The Company's marketing and sales functions are divided among four operating divisions and subsidiaries - Network Systems, Personal Communications, Mobile Communications and Palm Computing. The Network Systems Division is primarily responsible for sales and marketing of systems products. The Personal Communications Division is primarily responsible for selling and marketing Sportster and Courier brand desktop modem products and telephony products as well as international sales of PC Card products. The Company's Mobile Communications subsidiary is primarily responsible for marketing and selling PC Card products in North America, and the Palm Computing subsidiary is primarily responsible for Pilot connected organizer products.

9

10

The Network Systems Division sells Total Control and TOTALswitch systems products directly to corporate end-users and to authorized value-added resellers. In some cases, sales are made to corporate customers through a well-established two-tier distribution channel. The two-tiered channel allows the Company to sell to national and regional distributors, who in turn sell to resellers such as computer chains, franchise organizations and value-added resellers. Network Systems products are complicated devices which are used for a wide variety of purposes in highly complex network environments. Prices typically run to several thousand dollars per unit. As a result, sales cycles are longer and sales and marketing efforts require substantial resources for direct support in the form of training, systems and applications engineering and pre- and post-sale services to end users.

The Personal Communications Division markets the Company's desktop and telephony products and the Palm Computing subsidiary markets hand-held electronic connected organizer products directly to high-volume resellers, such as mass merchandisers and computer superstores, as well as through the two-tiered distribution channel and to OEMs. The Company's mobile communications products are sold to large electronics distributors, resellers, computer superstores and mail order companies. In addition, the Company sells its mobile communications products to leading portable computer manufacturers under OEM arrangements.

Unit prices for the PC-related products are typically under \$500 with most selling for less than \$200. Sales of these products require substantial expenditures for mass media advertising and retail promotion.

The Company believes that customer service and technical support, both during the selling process and after a sale, are essential elements of its success. Applications engineering and technical support services are especially important for customers purchasing systems products which must function in complex networking environments. The Network Systems Division engineering staff often assists resellers and end users in designing connectivity solutions and troubleshooting network performance problems. Engineering and technical support are also important to OEM customers. The Company provides telephone support and repair or replacement warranty service for all of its products. Warranty periods for hardware products range from one to five years.

INTERNATIONAL OPERATIONS

Most of the Company's products are marketed under the same brand names domestically and internationally. Some of the Company's PC Card modem products are marketed internationally under the WorldPort brand. Sales outside North America, primarily in Europe, accounted for approximately 22%, 20% and 16% of net sales in the fiscal years ended September 29, 1996, October 1, 1995, and October 2, 1994, respectively.

U.S. Robotics has established a European Coordination Center in Paris, France to support and coordinate its European business operations. The Company provides sales, marketing and local technical support through its other European offices in France, England, Germany, Italy, The Netherlands, Spain and Sweden. The Company performs final assembly and packaging at its warehouse facilities in Winnersh, England, and Lesquin, France, the distribution centers for customers in the United Kingdom and continental Europe, respectively. The Company has also established a multi-lingual systems support facility in Dublin, Ireland that supports all of the Company's European operations. With the acquisition of Scorpio, the Company added research and development and manufacturing operations in Israel. In addition, the Company has sales and support operations in Canada and Japan, and plans to open additional offices in the Asia/Pacific Rim region during 1997.

The Company's products are marketed, sold and serviced outside of North America (the U.S. and Canada) by over 100 distributors. Generally, these distributors have nonexclusive, country specific agreements enabling them to sell both directly to large end users and through resellers. Many international distributors have extensive data communication technical expertise and undertake first line technical support to international customers.

Specific regulatory approvals must be obtained for each of the Company's new products as well as for many changes to existing products sold in foreign countries. Approvals are granted by the appropriate regulatory agency in each respective country. By the end of 1996, PC-related products had been homologated in 34 countries and systems products had been homologated in 38 countries.

10

11

BACKLOG

Order backlogs at September 29, 1996 and October 1, 1995 were \$117.1 million and \$185.2 million, respectively. Backlog includes purchase orders for products that are scheduled to be shipped within 90 days. Because of the possibility of changes in delivery schedules or cancellations of orders, the Company's backlog as of any particular date may not be indicative of future sales levels.

MANUFACTURING AND SUPPLIERS

The Company believes that its integrated manufacturing operations provide it with greater control over product quality and greater understanding of design technologies, resulting in an enhanced ability to bring high quality products to market rapidly. In addition, Company manufacturing personnel are intensively involved in product design to insure that manufacturability considerations are addressed early in the design process and that manufacturing processes and products meet the Company's high quality control standards. The vast majority of the Company's manufacturing operations are carried out at its factories in Mount Prospect and Morton Grove, Illinois, and Salt Lake City, Utah. The Salt Lake City facility is International Standards Organization ("ISO") 9001 certified, the Morton Grove facility is ISO-9002 certified for desktop modem manufacturing, the Mount Prospect facility is ISO-9001 certified, and the Lesquin, France distribution center is ISO-9002 certified. A catastrophic event or natural disaster at any of these facilities could adversely affect the Company's results of operations and ability to manufacture products until the transition to a different U.S. Robotics facility or a contract manufacturer could be completed. In order to balance manufacturing loads and capacity, some subassemblies and products are manufactured by third party contractors from time to time.

All components used in the Company's products are acquired from third parties. Certain components are available only from a single source and others are available only from limited sources. In addition, the Company is dependent upon worldwide conditions in the semiconductor market. For the most part, the Company has historically been able to obtain adequate supplies of components in a timely manner, or with minor delays, from existing sources and has not been adversely affected by component price increases. Limited supplies of chipsets used in the Company's Megahertz brand PC Card modems for a part of fiscal 1996 temporarily inhibited the growth of sales of those products. The Company seeks to minimize the risk of shortages of key components by preferring suppliers that can manufacture components in more than one location, monitoring the financial stability of key suppliers and maintaining reserves of key components. The Company believes that alternative sources of supply for most components could be developed; however, in the event of a shortage, if the Company were unable to develop adequate, alternative sources in a timely fashion, the Company's operating results would be adversely affected.

COMPETITION

The data communications industry is intensely competitive and characterized by rapid technological advances and emerging industry standards. These changes result in frequent introductions of new products with added capabilities and features and continuous improvements in the relative price/performance of communications and networking products. Failure to keep pace with technological advances would adversely affect the Company's competitive position and results of operations.

The Company's products compete on the basis of product features, price, quality, reliability, name recognition and technical support and service. Although the Company believes its products are competitive in each of these areas, there can be no assurance that competitors will not introduce comparable or superior products incorporating more advanced technology at lower prices.

The Company's primary competitors with respect to systems products domestically include, among others, Ascend Communications, Cascade, 3COM, Lucent, Motorola, CISCO, and Shiva. In Europe the primary competitors include Ascend, CISCO, Multitech, Microcom, Motorola, 3COM, Shiva, and Tricom(UK). The Company's primary competitors with respect to desktop products domestically include Hayes Microcomputer Products, Zoom Telephonics, Best Data, Cardinal, Diamond, Boca Research and Motorola. For desktop products internationally the list of competitors includes SAT(Sagem), Zyxel, Creatix, Elsa, Lasat, Telebit, Multitech, Microcom, CPV, and Motorola. The Company's primary competitors with respect to mobile communications products include Hayes, Motorola, Xircom, 3COM, and TDK. The Company's primary competitors with respect to hand-held electronic organizers are Casio, Hewlett-Packard, Psion and Sharp. Some of the Company's competitors and potential competitors

11

12

have more extensive financial, engineering, product development, manufacturing and marketing resources than the Company.

12

13

INTELLECTUAL PROPERTY RIGHTS

The Company relies upon its trade secret protection program and its patents and copyrights to protect its proprietary technologies. The Company currently holds twenty-three U.S. patents and has numerous patent applications pending with the United States Patent and Trademark Office covering portions of the technology employed in the Company's products. In addition, patents have been issued and patent applications are pending for certain inventions in selected foreign countries. The Company intends to continue to seek patent protection for emerging technologies where appropriate. In addition, the Company has registered certain trademarks in the United States and a number of foreign countries.

The Company is a party to license and cross-license agreements with respect to certain technologies used in its products. A majority of these licenses are nonexclusive, fully paid and perpetual. In addition, the Company is engaged in negotiations with other parties to license or cross-license proprietary and patented technologies that are required for implementation of certain communications protocols and standards. In most instances the owners of intellectual property rights covering technologies required for official communications standards have undertaken to license such rights on fair, reasonable and non-discriminatory terms. The Company has no reason to believe these other parties will not honor their undertakings and anticipates that it

will enter into such licenses on reasonable terms.

The Company has received from time to time and may receive in the future infringement claims from third parties relating to the Company's products or technologies. The Company investigates these claims, and, if valid, responds through licensing or other appropriate actions. If the Company were unable to license necessary technology on a cost-effective basis, the Company could be prohibited from marketing products incorporating that technology, incur substantial costs in redesigning products incorporating that technology and incur substantial costs defending any legal action taken against it.

EMPLOYEES

As of September 29, 1996, the Company employed 6,313 people including 3,068 in manufacturing, 1,100 in research and development, 1,232 in sales and marketing, and 913 in general administration. None of the Company's employees are represented by a labor union. The Company believes its relations with its employees are good. Competition for qualified personnel in the information access industry is intense, and the Company believes that its prospects for future growth and success will depend, in significant part, on its ability to retain and continue to attract highly skilled and capable personnel in all areas of operations.

ITEM 2. PROPERTIES

The Company's executive offices are located at 8100 North McCormick Boulevard in Skokie, Illinois, a 120,000 square foot building owned by the Company. The Company's Personal Communications Division and principal advanced development group also are located in Skokie, Illinois, in a 137,000 square foot office building owned by the Company. The Company's Mobile Communications subsidiary is located in a 196,000 square foot building the Company owns in Salt Lake City, Utah. The Company's Palm Computing subsidiary is located in a 55,000 square foot building that it leases in Mountain View, California. The Company also has leased a 75,000 square foot building adjacent to its existing Palm offices in Mountain View that it is subleasing to others until it is needed for future expansion. The Company also leases a 400,000 square foot office building in Rolling Meadows, Illinois, that it intends to use to accommodate future growth in its business operations. The Company's manufacturing operations are located in three major facilities: a 300,000 square foot building in Morton Grove, Illinois which the Company owns; a 650,000 square foot building in Mount Prospect, Illinois which is being leased by the Company; and a new 150,000 square foot facility that has recently been completed on property the Company owns adjacent to its Mobile Communications subsidiary offices in Salt Lake City. The property in Mount Prospect also houses a major portion of the Network Systems Division's research and development and customer support operations. The Company has an option to purchase this property and has given notice of its intent to exercise this option. In addition to the properties previously mentioned, the Company leases other office, sales, technical support, engineering, warehousing and distribution facilities in various locations around the United States and the world.

13

14

ITEM 3. LEGAL PROCEEDINGS

The Company is a party to lawsuits in the normal course of its business. The Company and its counsel believe that the Company has meritorious defenses in lawsuits in which the Company is a defendant. The Company does not believe the outcome of these cases will have a material effect on its financial condition or results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITIES HOLDERS

No matter was submitted during the fourth quarter of 1996.

14

15

ITEM 4(A). EXECUTIVE OFFICERS AND DIRECTORS OF THE REGISTRANT

The executive officers and directors of the Company are set forth below, together with certain other significant employees.

<TABLE>
<CAPTION>

NAME	AGE	POSITION
<S>	<C>	<C>

Casey Cowell.....	44	Chairman of the Board, President, Chief Executive Officer and Director
John McCartney.....	44	Executive Vice President, Chief Operating Officer and Director
Jonathan N. Zakin....	47	Executive Vice President, Business Development and Corporate Strategy, and Director
James E. Cowie.....	41	Director
Terence M. Graunke....	37	Director
Peter I. Mason.....	44	Director
Paul G. Yovovich.....	43	Director
Ross W. Manire.....	44	Senior Vice President and General Manager, Network Systems
Steven T. Campbell....	45	Vice President and Controller
Richard L. Edson.....	43	Vice President and General Manager, Manufacturing
Eugene L. Ferretti....	50	Vice President and General Manager, Mobile Communications
Jerome Johnston.....	43	Vice President, Corporate Marketing and Communications
Mark Remissong.....	44	Vice President, Finance and Chief Financial Officer
Michael S. Seedman....	40	Vice President and General Manager, Personal Communications
George A. Vinyard....	47	Vice President, General Counsel and Secretary

CERTAIN SIGNIFICANT EMPLOYEES

Donna Dubinsky	41	Vice President and General Manager, Palm Computing
Elizabeth S. Ryan	36	Vice President, Human Resources and Administration
Dale M. Walsh	60	Vice President, Advanced Development

</TABLE>

Mr. Cowell, a founder of the Company, has served as Chairman of the Board, President, Chief Executive Officer and a director of the Company since 1983. Mr. Cowell also serves as a director of PLATINUM technology, inc. and Eagle River Interactive, Inc. Mr. Cowell serves on the Board of Directors of Northwestern Memorial Corp., parent company of Northwestern Memorial Hospital. Mr. Cowell has a B.A. from the University of Chicago.

Mr. McCartney joined the Company as a Vice President in 1984 and has been a director since 1985. In January 1996 he was designated Chief Operating Officer. He has held the position of Executive Vice President since 1988. He held the position of Chief Financial Officer from 1984 to 1992 and Secretary from 1989 to 1993. Mr. McCartney has an M.B.A. from the Wharton School of the University of Pennsylvania and a B.A. from Davidson College.

Mr. Zakin joined the Company as Vice President, Sales, in 1987. He served as the Company's Executive Vice President, Sales and Marketing from 1989 to April 1995, when he was named Executive Vice President, Business Development and Corporate Strategy. Mr. Zakin has been a director since 1988. Prior to joining the Company, Mr. Zakin was Vice President and Chief Financial Officer of Winterhalter, Inc., a computer communications company. Before joining Winterhalter, he was President of Cosma International, an international management consulting firm specializing in marketing computer products. Mr. Zakin received an M.B.A. from Harvard University and a B.S. from New York University.

Mr. Cowie has served as a director of the Company since March 1994. Mr. Cowie has been a General Partner of Frontenac Company, a Chicago-based private equity investment firm, since 1989. He also is a director of PLATINUM technology, inc., Open Environment Corporation and U.S. Servis, Inc.

Mr. Graunke has served as a director of the Company since March 1996. He has served as Chairman, President and Chief Executive Officer of Eagle River Interactive, Inc., an interactive news media and services company, since May 1994. He was Chairman and Chief Executive Officer of Rapp Collins Communications, an advertising agency owned by the Omnicom Group, Inc. from 1993 to 1994. From 1989 to 1992, he served as President and Chief Executive Officer of U.S. Communications, a marketing agency.

Mr. Mason has served as a director of the Company since 1983. He is a founding partner of the law firm of Freeborn & Peters and served as Chairman of its Operating Committee from 1989 until 1996. Freeborn & Peters has provided legal services to the Company since 1983. He currently is a

director of May & Speh, Inc. and Eagle River Interactive, Inc., as well as several privately held companies.

Mr. Yovovich has served as a director of the Company since 1991. He served as President of Advance Ross Corporation from 1993 to May 1996. Mr. Yovovich served in several executive positions with Centel Corporation from 1982 to 1992, where his last position was that of president of its Central Telephone Company subsidiary. Additionally, he serves as a director of Comarco, Inc., Illinois Superconductor Corporation, and APAC TeleServices, Inc., and is a certified public accountant.

Mr. Manire joined the Company as Vice President, Finance, in August 1991 and was named Chief Financial Officer in March 1992. He was named Senior Vice President, Operations, in August 1992 and served as Secretary from March 1993 to

February 1994. He served as Senior Vice President, Operations, and Chief Financial Officer until April 1995 when he was named General Manager, Network Systems. From 1989 to 1991, he was Vice President of Ridge Capital Corporation, a private equity investment firm. Prior to that he was a partner at Ernst & Young, a public accounting firm. He serves as a director for several privately held companies. Mr. Manire has an M.B.A. from the University of Chicago and a B.A. from Davidson College.

Mr. Campbell joined the Company as Vice President and Controller in November 1995. From 1990 to 1995, he held various financial management positions with Amoco Corporation and its subsidiaries. Mr. Campbell has an M.M. from Northwestern University and a B.S. from Quincy University. He is a certified public accountant.

Mr. Edson joined the Company as Vice President and General Manager, Manufacturing, in July 1995. From 1987 to 1995, Mr. Edson was with Thinking Machines Corporation, where he held the position of Chief Operating Officer from 1994 to 1995, and held other management positions, including Vice President of Core Products, Vice President of Manufacturing and Director of Manufacturing from 1987 to 1993. Prior to 1987, he held management positions at Data General Corporation and Digital Equipment Corporation. He holds an M.B.A. from Babson College, a B.S.B.A. from the University of Lowell and an A.S.E.E. from the University of Cincinnati.

Mr. Ferretti joined the Company as Vice President, Finance, Mobile Communications, in November 1995. In April 1996 he was named to the position of Vice President and General Manager, Mobile Communications. Previously Mr. Ferretti was with American Hawaii Cruises where he served as President from April 1991 to August 1993 and Executive Vice President from April, 1987 to April 1991. Mr. Ferretti has an M.B.A. from the University of Chicago, a Ph.D. in Physics from The Ohio State University and a B.A. degree from Lewis University.

Mr. Johnston joined the Company as Vice President, Corporate Marketing and Communications, in September 1996. From May 1994 to July 1996 he was Senior Vice President and Director of Corporate Communications with Paine Webber, Inc. and prior to that, he was with J. Walter Thompson Company from 1984 to 1994, where he most recently served as Senior Vice President and Director of Client Services. Mr. Johnston has an M.S.J. from Northwestern University and a B.A. from Castleton State College.

Mr. Remissong joined the Company as Vice President, Finance, in March 1995. He was named Chief Financial Officer in April 1995. From 1993 to 1994, he was Senior Vice President and Chief Financial Officer of Collins and Aikman Corporation. From 1989 to 1993 he was Vice President, Finance, of Burlington Industries, Inc. Prior to that he was a partner at Ernst & Young, a public accounting firm. Mr. Remissong has an M.B.A. from the University of Chicago and a B.S.S. from Cornell College. He is a certified public accountant.

Mr. Seedman joined the Company as Vice President and General Manager, Personal Communications, in June 1993. Mr. Seedman previously served as President and Chief Executive Officer of Practical Peripherals, Inc., a data communications company which he founded, from 1981 to 1993. He attended the University of Southern California.

Mr. Vinyard joined the Company as Vice President, General Counsel and Secretary in February 1994. From 1977 to 1994 he was a practicing attorney with the Chicago firm of Sachnoff & Weaver, Ltd., where he had been a principal since 1981. He received his J.D. degree from the University of Michigan Law School and holds a B.A. from Illinois Wesleyan University.

16

17

Ms. Dubinsky joined the Company as Vice President and General Manager, Palm Computing in September 1995. From 1992 to 1995, Ms. Dubinsky served as President and Chief Executive Officer of Palm Computing, Inc. Prior to 1992, Ms. Dubinsky held various executive positions at Claris Corporation and Apple Computer. Ms. Dubinsky has an M.B.A. from Harvard University and a B.A. from Yale University.

Ms. Ryan joined the Company as Director, Human Resources in 1989 and was elected a Vice President in October 1991. Prior to that, Ms. Ryan was the manager of personnel and training for Recycled Paper Products, Inc. Ms. Ryan has an M.A. in Communications from Northwestern University and a B.A. from Mundelein College.

Mr. Walsh has been a Vice President of the Company since 1983. He currently serves as Vice President of Advanced Development, a position he has held since 1989. Prior to that, Mr. Walsh served as Vice President, Engineering. Before joining the Company, Mr. Walsh was senior scientist at General Datacomm, Inc. Previously, he was manager for modem development at

Paradyne. Mr. Walsh is a member and past chairman of the Electronics Industry Association committee which develops modem standards recommendations for the ITU-TS. Mr. Walsh holds a B.S. from the University of Illinois, Urbana, and B.S.M.E. from the University of South Florida.

17

18

PART II

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

The Company's common stock is traded on the NASDAQ National Market under the symbol USRX. The following table sets forth, for the fiscal years ended September 29, 1996 and October 1, 1995, the range of high and low closing sale prices for the Company's common stock, after giving effect to the two two-for-one stock splits in the form of 100% stock dividends effected May 10, 1996 and September 8, 1995.

<TABLE>
<CAPTION>

	1996		1995	
	HIGH	LOW	HIGH	LOW
<S>	<C>	<C>	<C>	<C>
First Quarter.....	54-7/8	37-9/16	10-13/16	7-7/8
Second Quarter.....	69	34-1/2	17-1/4	9-13/16
Third Quarter.....	100-1/2	60-5/8	28-3/16	15-7/8
Fourth Quarter.....	90	46-7/8	45-3/16	26-13/16

As of December 13, 1996, there were 2,632 record holders of the Company's common stock.

The Company has never paid cash dividends. It is the Company's present intention to retain earnings for use in the Company's business. Accordingly, the Company does not anticipate that cash dividends will be paid in the foreseeable future.

18

19

ITEM 6. SELECTED FINANCIAL DATA

The selected consolidated financial information for the five fiscal years ended September 29, 1996 provided below should be read in conjunction with the Consolidated Financial Statements and accompanying Notes. The financial information has been restated to reflect the two two-for-one stock splits in the form of 100% stock dividends effected May 10, 1996 and September 8, 1995.

<TABLE>
<CAPTION>

	FISCAL YEAR ENDED				
	SEPT. 29, 1996 (1)	OCT. 1, 1995 (2)	OCT. 2, 1994	OCT. 1, 1993	OCT. 2, 1992
<S>	<C>	<C>	<C>	<C>	<C>
(IN THOUSANDS, EXCEPT PER SHARE DATA)					
STATEMENT OF EARNINGS DATA					
Net sales.....	\$1,977,512	\$889,347	\$499,075	\$ 242,653	\$129,678
Cost of goods sold.....	1,149,446	521,159	297,992	129,461	63,009
Gross profit.....	828,066	368,188	201,083	113,192	66,669

Operating expenses					
Selling and marketing.....	271,585	136,585	85,799	41,857	23,550
General and administrative.....	93,717	42,614	28,734	18,140	12,963
Research and development.....	109,437	52,478	29,284	16,888	11,127
Purchased in-process technology.....	54,000	-	-	-	-
Non-recurring merger costs.....	-	29,449	-	-	-
Total operating expenses.....	528,739	261,126	143,817	76,885	47,640
Operating profit.....	299,327	107,062	57,266	36,307	19,029
Interest income.....	8,424	7,700	1,305	792	1,030
Interest expense.....	4,995	5,465	1,860	377	409
Other income (expense).....	(866)	(377)	(1,342)	673	(642)
Earnings before income taxes.....	301,890	108,920	55,369	37,395	19,008
Income tax expense.....	131,870	42,969	19,248	13,276	7,149
Net earnings.....	\$ 170,020	\$ 65,951	\$ 36,121	\$ 24,119	\$ 11,859
Net earnings per share.....	\$ 1.79	\$.77	\$.47	\$.35	\$.19
Shares used in per share calculation.....	94,932	85,304	76,368	68,132	61,008

BALANCE SHEET DATA

Working capital.....	\$ 416,905	\$367,981	\$194,994	\$110,040	\$ 46,282
Total assets.....	\$1,067,283	\$659,623	\$323,277	\$200,863	\$ 80,145
Long-term obligations less current maturities.....	\$ 54,044	\$ 65,651	\$ 69,464	\$ 326	\$ 604
Stockholders' equity.....	\$ 671,870	\$424,395	\$195,717	\$148,985	\$ 61,630

</TABLE>

(1) In August 1996, the Company acquired Scorpio Communications Ltd. in a transaction accounted for as a purchase. In conjunction with the acquisition, the Company recorded a charge of \$54,000 related to purchased in-process technology. See Note C to the Consolidated Financial Statements.

(2) In February 1995, the Company consummated a business combination with Megahertz Holding Corporation in a transaction accounted for as a pooling of interests. As a direct result of the merger, the Company recorded a non-recurring charge of \$29,449. See Note C to the Consolidated Financial Statements.

19

20

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion and analysis should be read in conjunction with the Consolidated Financial Statements and accompanying Notes; in particular, see Notes A and C to the Consolidated Financial Statements.

RESULTS OF OPERATIONS

The following table sets forth, for the fiscal years indicated, the percentage of net sales and the percentage change represented by items reflected in the Company's Consolidated Statement of Earnings.

<TABLE>

<CAPTION>

	PERCENTAGE OF NET SALES			PERCENTAGE CHANGE	
	1996	1995	1994	1995 TO 1996	1994 TO 1995
<S>	<C>	<C>	<C>	<C>	<C>
Net sales.....	100.0%	100.0%	100.0%	122.4%	78.2%
Cost of goods sold.....	58.1	58.6	59.7	120.6	74.9
Gross profit.....	41.9	41.4	40.3	124.9	83.1
Operating expenses					
Selling and marketing.....	13.7	15.4	17.2	98.8	59.2
General and administrative.....	4.7	4.8	5.8	119.9	48.4
Research and development.....	5.6	5.9	5.9	108.5	79.2
Purchased in-process technology	2.7	-	-	-	-
Non-recurring merger costs.....	-	3.3	-	-	-
Total operating expenses.....	26.7	29.4	28.9	102.5	81.6

Operating profit.....	15.2	12.0	11.4	179.6	87.0
Interest income.....	0.4	0.8	0.4	9.4	490.0
Interest expense.....	0.3	0.6	0.4	(8.6)	193.8
Other income (expense).....	-	-	(0.3)	-	-
	-----	-----	-----		
Earnings before income taxes.....	15.3	12.2	11.1	177.2	96.7
Income tax expense.....	6.7	4.8	3.9	206.9	123.2
	-----	-----	-----		
Net earnings.....	8.6	7.4	7.2	157.8	82.6
	=====	=====	=====		

</TABLE>

NET EARNINGS

Net earnings for 1996 were \$170.0 million or \$1.79 per share, compared with \$66.0 million or \$0.77 per share and \$36.1 million or \$0.47 per share for 1995 and 1994, respectively. Year-to-year comparisons of net earnings were affected by significant non-recurring charges.

Reflected in 1996 net earnings was a non-recurring charge of \$54.0 million for purchased in-process technology incurred in connection with the acquisition of Scorpio Communications Ltd. ("Scorpio"). Reflected in 1995 net earnings were non-recurring charges of \$29.4 million associated with the merger with Megahertz Holding Corporation ("Megahertz"). Excluding the effects of these items, net earnings for 1996 would have been \$224.0 million, an increase of 151% over the corresponding 1995 total of \$89.2 million, and net earnings per share for 1996 would have been \$2.36, an increase of 125% over the corresponding 1995 level of \$1.05.

Factors contributing to the significant improvements in net earnings and earnings per share are discussed below.

20

21

NET SALES

Net sales increased 122% to \$1,977.5 million for 1996 from \$889.3 million for 1995. This increase was primarily the result of higher unit sales in both the PC-related product categories (primarily high speed desktop and PC Card modems sold under the Courier, Sportster, Megahertz and Worldport brand names) and the systems product category (network hubs, modem pools, remote access servers and LAN switching products sold under the Total Control and TOTALswitch brand names). An increase in the average selling price of PC-related products also contributed to the increase in net sales during 1996.

In general, the increases in unit sales in all product categories were driven by strong market demand for devices that enable on-line access to information through computers and computer networks, which demand reflected continued growth of available on-line information and trends in organizational and personal computing patterns and capabilities. In the PC-related product categories, demand reflected overall growth in the personal computer market and increased numbers of personal computer users employing modems for data, voice and fax communications. Also influencing demand was the desire of existing modem users to upgrade their equipment to utilize the V.34 standard, a high speed protocol for data transmission at 28.8 to 33.6 Kbps; unit sales of V.34-compliant products exceeded those of V.32bis-compliant products (14.4 Kbps) for the first time during the Company's 1996 first quarter. These same factors also contributed to increased unit sales of the Company's systems products as end users, including several Internet and on-line service providers, expanded and upgraded their networks to support the increased demand for on-line information and communication services.

Increased unit sales of V.34-compliant products was the primary cause for the rise in the average selling price of PC-related products during 1996. In the intensely competitive market for information access products, competitive pressures drive reductions in selling prices as products move through the product life cycle. The timing and significance of price reductions are dependent upon a number of factors, including market acceptance of new products, technological advances and price reductions on competing products. In 1996, the Company experienced increased unit sales and relatively higher average selling prices for its newer V.34-compliant products; however, these effects were partly offset by significant declines in unit sales and average selling prices for V.32bis-compliant products as these products approached the latter stages of their life cycles.

Net sales of PC-related and systems products in 1996 increased by 108% and 156%, respectively, from the 1995 levels. As a result, net sales of systems products increased slightly as a percentage of consolidated net sales. For 1996, net sales of the Total Control Enterprise Network Hub ("Total Control Hub") products were approximately \$400.0 million.

International sales, concentrated in Canada and Europe, increased by 125% to \$517.2 million in 1996 compared to \$230.4 million in 1995. International sales in 1996 represented approximately 26% of consolidated net sales. The Company has significantly expanded its presence in international markets in response to continued growth in market demand for information access products, and has recently acquired or established new operations in Germany, Ireland, Israel, Italy, Japan, The Netherlands, Spain and Sweden. By the end of 1996, PC-related products had been homologated in 34 countries and systems products had been homologated in 38 countries.

International sales are denominated in U.S. dollars and several foreign currencies. The Company has no significant foreign currency contracts or other investments in derivative instruments.

In 1995, net sales increased 78% to \$889.3 million from \$499.1 million in 1994. The increase resulted from higher unit sales in both the PC-related and systems products categories, reflecting strong market demand for information access products as discussed above. Partly offsetting the effects of higher unit sales during 1995 were modest declines in average selling prices.

International sales increased 110% to \$230.4 million or 26% of consolidated net sales in 1995, compared to \$109.5 million or 22% of consolidated net sales in 1994. The increase resulted primarily from increased unit sales of high speed modem products, most notably V.34-compliant products. Also, 1995 sales volumes included the initial international shipments of Total Control Hub products following the Company's establishment of a systems sales office in the United Kingdom during the year.

21

22

GROSS PROFIT

Gross profit was \$828.1 million or 41.9% of net sales in 1996, compared to \$368.2 million or 41.4% of net sales in 1995. The increase in gross profit dollar contribution was due primarily to significantly higher unit sales volumes and the continuing shift to higher priced V.34-compliant products. The increase in gross profit margin reflected increased sales of higher margin systems products as a percentage of consolidated net sales, partly offset by lower gross margins on certain PC Card products as a result of component shortages that existed in the first half of 1996. In 1996, the gross profit margins on sales of the Total Control Hub were approximately 60%.

Gross profit in 1995 was \$368.2 million or 41.4% of net sales, compared to \$201.1 million or 40.3% of net sales in 1994. The increase in gross profit margin was due primarily to proportionately higher sales of systems products, which generate higher gross margins, and rapid market acceptance of new, higher margin V.34-compliant modem products. Gross profit margins in 1995 also were affected by declines in average selling prices, but these declines were offset by reductions in component costs and the introduction of new, lower-cost product architectures.

OPERATING EXPENSES

Selling and marketing expenses in 1996 were \$271.6 million or 13.7% of net sales, compared to \$136.6 million or 15.4% of net sales in 1995 and \$85.8 million or 17.2% of net sales in 1994. During both 1996 and 1995, the Company increased spending for promotional programs designed to enhance demand for the Company's product offerings, for continued development of technical support programs and for recruiting and training of additional resellers, particularly for systems products. In addition, the Company made substantial investments in building its worldwide selling and marketing staff to take advantage of strong demand for its products in international markets. During the 1996 fourth quarter, the Company expanded its worldwide sales force by approximately 20%. This commitment of resources is critical to expanding international sales of systems products. Selling and marketing expenses decreased as a percentage of net sales in each year due to the significant growth in sales and the semi-fixed nature of some of these expenses.

General and administrative expenses in 1996 were \$93.7 million or 4.7% of net sales, compared to \$42.6 million or 4.8% of net sales in 1995 and \$28.7 million or 5.8% of net sales in 1994. The dollar increases in 1996 and 1995 were attributable primarily to expenses associated with additional administrative staff, systems and outside professional and consulting services necessary to support the Company's expanded level of business activity. General and administrative expenses decreased as a percentage of net sales due to the significant growth in sales and the semi-fixed nature of some of these expenses.

Research and development expenses in 1996 were \$109.4 million or 5.6% of net sales, compared to \$52.5 million or 5.9% of net sales in 1995 and \$29.3 million or 5.9% of net sales in 1994. The dollar increases from year-to-year mainly resulted from increases in the size of the Company's engineering staff and related costs to support its emphasis on product development. The Company believes that continued investment in research and development activities is critical to future sales growth and technological competitiveness.

In 1996, the Company acquired Scorpio to gain state-of-the-art capability in Asynchronous Transfer Mode ("ATM") switching. The acquisition was accounted for as a purchase. As described more fully in Note C to the Consolidated Financial Statements, the fair market value of purchased in-process technology was determined to be \$54.0 million. This amount was expensed upon acquisition during the Company's 1996 fourth quarter.

In 1995, in connection with the Megahertz acquisition, the Company recorded non-recurring charges of \$29.4 million, primarily related to (i) the write-down of inventory and goodwill due to the elimination of overlapping product lines, (ii) transaction costs and (iii) the consolidation of certain facilities and personnel.

INCOME TAX EXPENSE

The provisions for income taxes were \$131.9 million in 1996, \$43.0 million in 1995 and \$19.2 million in 1994, resulting in effective tax rates for those years of 43.7%, 39.5% and 34.8%, respectively. The higher rate in 1996 was due mainly to the expensing of purchased in-process technology in connection with the Scorpio acquisition with no corresponding tax benefit, due to uncertainty regarding the benefit's realizability. The higher rate in 1995 was due mainly to the

22

23

tax treatment of certain non-recurring costs associated with the Megahertz merger. Excluding the effects of the Scorpio and Megahertz items, the effective tax rates for 1996 and 1995 would have been 37.1% and 35.6%, respectively. This increase was attributable to reduced research and development tax credits as a result of expiration of the enabling legislation.

OTHER

To date, inflation has not had a material impact on the Company's results of operations.

LIQUIDITY AND CAPITAL RESOURCES

<TABLE>
<CAPTION>

	1996	1995	1994
	-----	-----	-----
<S>	<C>	<C>	<C>
Cash flows from operating activities, excluding changes in assets and liabilities.....	\$248.8	\$ 87.3	\$ 41.1
Working capital, excluding the cash portfolio.....	\$400.1	\$135.2	\$127.7
Capital expenditures.....	\$189.0	\$ 73.1	\$ 34.5
Scorpio acquisition.....	\$ 71.8	-	-
Net cash provided by financing activities.....	\$109.4	\$157.2	\$111.7
Availability under committed and uncommitted lines of credit.....	\$357.5	\$ 75.0	\$ 75.0

Cash flows from operating activities, excluding changes in assets and liabilities, increased to \$248.8 million in 1996 from \$87.3 million for 1995, primarily due to the \$1,088.2 million increase in net sales and the resultant higher net earnings.

Excluding the cash portfolio, (cash, cash equivalents and marketable securities), working capital was \$400.1 million at September 29, 1996 compared to \$135.2 million at October 1, 1995. Increases in both accounts receivable and inventories reflected significant growth in the sales of, and demand for, the Company's products, including the hand-held and telephony products introduced during 1996. The change in accounts receivable also was affected, to a greater degree than in 1995, by significant product shipments late in the Company's fourth quarter. The late shipments were primarily the result of two factors: (i) the introduction of Sportster desktop products upgradeable to the Company's new x2 technology beginning August 15; and (ii) shipments to customers of PC-related products in anticipation of the holiday selling season.

The Company made significant investments during 1996 to expand its manufacturing capability, physical plant and information systems. In 1996, the Company increased to 31 the number of surface mount lines in its plants from the 18 in place at the end of 1995. Also, during 1996: renovation of a 300,000 square foot office and manufacturing facility in Morton Grove, Illinois was completed; construction of a 150,000 square-foot manufacturing facility in Salt Lake City, Utah was completed; and renovation continued on a 650,000 square-foot office and manufacturing facility in Mount Prospect, Illinois which the Company leased in 1996 to house its Network Systems division. Capital expenditures were \$189.0 million in 1996 compared to \$73.1 million in 1995. The Company expects to spend significant additional amounts in 1997 for manufacturing equipment, for the purchase and completion of renovation of the Mount Prospect facility, and for additional office facilities and information systems to support its growth.

The Company also made significant cash investments during 1996 to acquire technology. Scorpio was acquired in a cash transaction for \$71.8 million and an additional \$12.0 million of cash was expended to acquire certain technology licenses. The Company intends to pursue additional acquisitions and other business alliances to further enhance its product offerings, markets and technological capabilities, whenever such transactions are consistent with the Company's overall strategic direction. Such transactions may or may not require the use of cash.

Proceeds from the exercise of stock options by employees and issuances of common stock under the Company's employee stock purchase plan totaled \$22.2 million in 1996. Also, the Company realized the benefits of \$54.5 million in 1996 in connection with the exercise of stock options by employees. The Company had outstanding \$32.5 million in short term borrowings under its \$90 million of uncommitted lines of credit at the end of 1996. In June 1997, the Company will be required to make the first of five annual repayments of \$12.0 million under its 7.52% Unsecured Senior Notes (See Notes F and H to the Consolidated Financial Statements).

23

24

As indicated above, the Company expects to continue to make significant investments in the future to support its overall growth. Currently, it is anticipated that ongoing operations will be financed primarily from internally generated funds. However, there are several factors that could affect the Company's ability to generate cash from operations in 1997, including general economic conditions, market competition, market acceptance of products incorporating the x2 technology, and changes in working capital requirements. Accordingly, to maintain its financial flexibility, the Company has arranged a committed Multicurrency Credit Agreement with a group of banks which provides for initial credit availability of \$300 million and is expandable to \$600 million under certain circumstances. As of December 29, 1996, there had been no borrowings under this agreement (See Note H to the Consolidated Financial Statements). The Company believes its anticipated cash flows from operations and access to debt and equity markets will permit the financing of its business requirements in an orderly manner for the foreseeable future.

FUTURE OPERATING RESULTS

The following discussion includes forward-looking statements regarding the Company's future results of operations. Actual results may differ materially from these statements.

The Company expects demand for all of its product lines to continue to grow substantially in 1997 as worldwide requirements increase for highly integrated, cost-effective, end-to-end information access solutions. The Company anticipates that its sales of network systems products will continue over time to grow at a more rapid rate than sales of its PC-related products. Continued sales growth is expected to be driven by increases in unit sales of existing products and by new product introductions, which will be offset in part by anticipated future reductions in the average selling prices of existing products as they progress through their life cycles.

The Company expects the markets it serves to continue to grow at rapid rates during the next several years. The Company intends to continue investing during 1997 in new technologies such as its new x2 high speed analog downstream modem feature, wireless, LAN switching and broadband access, including xDSL and cable, in order to be well-positioned to serve these markets in the future.

The Company also expects to continue its historical strategy of building share in the markets which it serves. The Company intends to continue to build its sales force, with particular focus on expanding sales of its network systems products domestically and internationally. Depending upon the growth in revenues achieved, these investments, coupled with expenses related to the launch of the Company's new x2 products, may cause selling and marketing expenses in the first half of 1997 to represent a higher percentage of total

sales than in recent quarters.

The Company's ability to achieve its revenue and profitability objectives in 1997 depend on many factors beyond the Company's control. These include the market acceptance of x2 and other new products and features announced and introduced by the Company and its competitors, and the extent to which the Company is successful in implementing its ongoing strategy of continuously improving the performance/cost characteristics of its products through improved designs and manufacturing efficiencies. Other factors include rapid changes in technologies and standards relating to information access and telecommunications.

The foregoing forward-looking statements involve a number of risks and uncertainties. In addition to the factors discussed above, among the other factors that could cause actual results to differ materially are the following: changes in business conditions and growth trends affecting the Company's products and markets, the personal computer and telecommunications industries and the economy in general; continuing availability of key components and technologies at competitive prices; a variety of other competitive factors such as price reductions by the Company and its competitors and resulting effects on market shares; changes in consumer and business purchasing patterns; and the Company's merger and acquisition activities, including its success in integrating businesses it has acquired and the amounts of any non-recurring charges related to such activities.

Because of the foregoing uncertainties affecting the Company's future operating results, past performance should not be considered to be a reliable indicator of future performance. The use of historical trends to anticipate results or trends in future periods may be inappropriate. In addition, the Company's participation in a highly dynamic industry often results in significant volatility in the price of the Company's common stock.

24

25

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Listed below are the financial statements included in this part of the Registrant's Annual Report on Form 10-K:

(a) Financial Statements

<TABLE>		PAGE
<CAPTION>		----
<S>		<C>
Report of Independent Certified Public Accountants.....		26
Consolidated Statement of Earnings.....		27
Consolidated Balance Sheet.....		28
Consolidated Statement of Stockholders' Equity.....		29
Consolidated Statement of Cash Flows.....		30
Notes to Consolidated Financial Statements.....		31

</TABLE>

25

26

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
U.S. Robotics Corporation

We have audited the accompanying consolidated balance sheet of U.S. Robotics Corporation and Subsidiaries as of September 29, 1996 and October 1, 1995, and the related consolidated statements of earnings, stockholders' equity and cash flows for each of the years in the three-year period ended September 29, 1996. 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 in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of U.S. Robotics Corporation and Subsidiaries as of September 29, 1996 and October 1, 1995, and their consolidated results of operations and consolidated cash flows for each of the years in the three-year period ended September 29, 1996, in conformity with generally accepted accounting principles.

/s/ GRANT THORNTON LLP

Grant Thornton LLP

Chicago, Illinois
November 4, 1996

26

27
U.S. ROBOTICS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF EARNINGS
FISCAL YEARS 1996, 1995 AND 1994
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

<TABLE>
<CAPTION>

	1996 -----	1995 -----	1994 -----
<S>	<C>	<C>	<C>
Net sales.....	\$1,977,512	\$889,347	\$499,075
Cost of goods sold.....	1,149,446	521,159	297,992
Gross profit.....	----- 828,066	----- 368,188	----- 201,083
Operating expenses			
Selling and marketing.....	271,585	136,585	85,799
General and administrative.....	93,717	42,614	28,734
Research and development.....	109,437	52,478	29,284
Purchased in-process technology.....	54,000	-	-
Non-recurring merger costs.....	-	29,449	-
Total operating expenses.....	----- 528,739	----- 261,126	----- 143,817
Operating profit.....	299,327	107,062	57,266
Interest income.....	8,424	7,700	1,305
Interest expense.....	4,995	5,465	1,860
Other income (expense).....	(866)	(377)	(1,342)
Earnings before income taxes.....	----- 301,890	----- 108,920	----- 55,369
Income tax expense.....	131,870	42,969	19,248
Net earnings.....	----- \$ 170,020	----- \$ 65,951	----- \$ 36,121
Net earnings per share.....	=====	=====	=====
	\$ 1.79	\$.77	\$.47
	=====	=====	=====

</TABLE>

The accompanying notes are an integral part of these statements.

27

28
U.S. ROBOTICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

<TABLE>
<CAPTION>

	SEPTEMBER 29, 1996	OCTOBER 1, 1995
	-----	-----
<S>	<C>	<C>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents.....	\$ 16,814	\$136,803
Marketable securities.....	-	96,000
Accounts receivable, less allowances of \$11,573 and \$7,354 in 1996 and 1995, respectively	490,040	168,365
Inventories.....	185,855	103,032
Deferred income taxes.....	45,493	22,373
Prepaid expenses and other current assets.....	12,407	7,739
	-----	-----
Total current assets.....	750,609	534,312
PROPERTY, PLANT AND EQUIPMENT - NET.....	276,591	117,156
OTHER ASSETS.....	40,083	8,155
	-----	-----
	\$1,067,283	\$659,623
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term obligations.....	\$ 12,174	\$ 249
Short-term obligations.....	32,500	-
Accounts payable.....	130,959	78,386
Accrued liabilities.....	138,747	78,171
Income taxes payable.....	19,324	9,525
	-----	-----
Total current liabilities.....	333,704	166,331
LONG-TERM OBLIGATIONS.....	54,044	65,651
DEFERRED INCOME TAXES.....	7,665	3,246
STOCKHOLDERS' EQUITY		
Preferred stock - \$.01 par value; 10,000,000 shares authorized; issuable in series, none issued.....	-	-
Common stock - \$.01 par value; 250,000,000 shares authorized; 88,171,420 shares and 84,386,396 shares outstanding in 1996 and 1995, respectively.....	882	422
Additional contributed capital.....	356,265	273,939
Retained earnings.....	312,492	148,617
	-----	-----
	669,639	422,978
Cumulative translation adjustment and other.....	2,231	1,417
	-----	-----
Total stockholders' equity.....	671,870	424,395
	-----	-----
	\$1,067,283	\$659,623
	=====	=====

</TABLE>

The accompanying notes are an integral part of these statements.

29
U.S. ROBOTICS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

	COMMON STOCK	ADDITIONAL CONTRIBUTED CAPITAL	RETAINED EARNINGS	CUMULATIVE TRANSLATION ADJUSTMENT AND OTHER	TOTAL STOCKHOLDERS' EQUITY
	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
BALANCE AT OCTOBER 1, 1993	\$173	\$ 96,934	\$ 52,348	\$ (470)	\$148,985
Issuances under stock option					

and purchase plans.....	6	1,698	-	-	1,704
Tax benefits relating to the exercise of stock options...	-	6,928	-	-	6,928
Foreign currency translation adjustments.....	-	-	-	1,979	1,979
Net earnings.....	-	-	36,121	-	36,121
	----	-----	-----	-----	-----
BALANCE AT OCTOBER 2, 1994	179	105,560	88,469	1,509	195,717
Adjustment to conform fiscal year end of Megahertz.....	-	-	2,271	-	2,271
Sale of common stock in a public offering.....	15	123,038	-	-	123,053
Issuances under stock option and purchase plans.....	10	9,082	-	-	9,092
Tax benefits relating to the exercise of stock options..	-	28,873	-	-	28,873
Issuance of stock in connection with acquisitions.....	10	7,386	(7,866)	-	(470)
Stock split.....	208	-	(208)	-	-
Foreign currency translation adjustments and other.....	-	-	-	(92)	(92)
Net earnings.....	-	-	65,951	-	65,951
	----	-----	-----	-----	-----
BALANCE AT OCTOBER 1, 1995	422	273,939	148,617	1,417	424,395
Issuances under stock option and purchase plans.....	18	22,142	-	-	22,160
Tax benefits relating to the exercise of stock options..	-	54,460	-	-	54,460
Issuance of stock in connection with acquisitions.....	3	6,001	(5,706)	-	298
Stock split.....	439	-	(439)	-	-
Foreign currency translation adjustments and other.....	-	(277)	-	814	537
Net earnings.....	-	-	170,020	-	170,020
	----	-----	-----	-----	-----
BALANCE AT SEPTEMBER 29, 1996	\$882	\$356,265	\$312,492	\$2,231	\$671,870
	=====	=====	=====	=====	=====

</TABLE>

The accompanying notes are an integral part of these statements.

29

30

U.S. ROBOTICS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FISCAL YEARS 1996, 1995 AND 1994
(DOLLARS IN THOUSANDS)

<TABLE>

<CAPTION>

	1996	1995	1994
	-----	-----	-----
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net earnings.....	\$ 170,020	\$ 65,951	\$ 36,121
Adjustments to reconcile net earnings to net cash provided (used) by operating activities:			
Adjustment to conform fiscal year end cash of Megahertz.....	-	3,288	-
Merger related asset write-downs.....	-	16,361	-
Purchased in-process technology.....	54,000	-	-
Depreciation and amortization.....	30,464	14,164	8,873
Deferred income taxes.....	(18,701)	(12,551)	(4,519)
Loss on disposal of property and equipment.....	41	484	671
Other.....	12,985	(394)	(81)
Changes in assets and liabilities (net of effects of acquisitions):			
Accounts receivable.....	(327,266)	(69,644)	(32,668)
Inventories.....	(91,654)	(34,675)	(28,344)
Prepaid expenses and other current assets.....	(5,978)	(4,241)	(2,274)
Accounts payable.....	53,338	60,087	(21,246)
Accrued liabilities.....	61,106	48,868	18,488
Income taxes payable.....	9,964	(3,675)	7,310
	-----	-----	-----
Net cash provided (used) by operating activities.....	(51,681)	84,023	(17,669)
Cash flows from investing activities:			
Purchases of marketable securities.....	(175,898)	(88,945)	(78,025)

Sales and maturities of marketable securities.....	271,898	1,873	75,492
Capital expenditures.....	(189,010)	(73,085)	(34,474)
Acquisition of subsidiary.....	(71,840)	-	-
Payments for technology licenses.....	(12,000)	-	(5,836)
Other - net.....	261	(288)	(626)
	-----	-----	-----
Net cash used by investing activities.....	(176,589)	(160,445)	(43,469)
Cash flows from financing activities:			
Borrowings (repayments) under short-term obligations - net.....	32,500	-	(1,729)
Borrowings under long-term obligations.....	743	-	70,000
Repayments of long-term obligations.....	(441)	(3,802)	(471)
Issuance of common stock including tax benefits relating to the exercise of stock options.....	76,620	161,018	43,863
	-----	-----	-----
Net cash provided by financing activities.....	109,422	157,216	111,663
Effect of exchange rate changes on cash and cash equivalents.....	(1,141)	(2,277)	1,482
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents.....	(119,989)	78,517	52,007
Cash and cash equivalents at beginning of year.....	136,803	58,286	6,279
	-----	-----	-----
Cash and cash equivalents at end of year.....	\$ 16,814	\$ 136,803	\$ 58,286
	=====	=====	=====

</TABLE>

The accompanying notes are an integral part of these statements.

30

31

U.S. ROBOTICS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FISCAL YEARS 1996, 1995 AND 1994
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

NOTE A - BASIS OF PRESENTATION

U.S. Robotics Corporation ("USR") was organized to effect a corporate reorganization of U.S. Robotics, Inc. ("Robotics") whereby Robotics became, on February 22, 1995, a wholly owned subsidiary of a new publicly held parent corporation, USR. All of the outstanding shares of Robotics at the time of the reorganization were converted into an equal number of USR shares. Following the reorganization, the stockholders of USR had the same voting, dividend and liquidation rights they had as stockholders of Robotics. In conjunction with the reorganization, Robotics' name was changed to U.S. Robotics Access Corp. ("Access"). USR and its subsidiaries, all of which are wholly owned, are collectively referred to as the "Company."

On February 22, 1995, the stockholders of Robotics and shareholders of Megahertz Holding Corporation ("Megahertz") each approved and adopted a plan of merger which resulted in Megahertz becoming a wholly owned subsidiary of USR. All of the outstanding shares of Megahertz were converted into shares of USR. The merger has been accounted for as a pooling of interests and, accordingly, the accompanying financial statements have been restated to include the accounts and operations of Megahertz for all periods prior to the merger (See Note C).

Effective October 3, 1994, Megahertz's fiscal year end (previously June 30) was conformed to agree with that of USR. Accordingly, Megahertz's net earnings for the three months ended September 30, 1994, were credited to retained earnings as of October 3, 1994. Megahertz's net sales and earnings for that period were \$30,191 and \$2,271, respectively.

The Company acquired ISDN Systems Corporation ("ISC"), Palm Computing, Inc. ("Palm") and Amber Wave Systems, Inc. ("Amber Wave") on August 21, 1995, September 1, 1995 and February 29, 1996, respectively. These transactions were accounted for by the pooling of interests method; however, since the historical operations of ISC, Palm and Amber Wave prior to the dates of combination were not material to the Company's consolidated financial position or results of operations, financial statements for periods prior to the dates of combination have not been restated (See Note C).

On August 29, 1996, the Company acquired Scorpio Communications Ltd. ("Scorpio"). The acquisition was accounted for by the purchase method; accordingly, Scorpio's results of operations since the date of acquisition have been included in the accompanying financial statements (See Note C).

On August 10, 1995, the Company's Board of Directors authorized a two-for-one stock split in the form of a 100% stock dividend distributed on September 8, 1995 to all stockholders of record as of August 25, 1995. Further,

on April 12, 1996, the Company's Board of Directors authorized a two-for-one stock split in the form of a 100% stock dividend distributed on May 10, 1996 to all stockholders of record as of April 25, 1996. All references to share and per share data have been restated to reflect these stock splits.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF CONSOLIDATION. The consolidated financial statements include the accounts of USR and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

FISCAL YEAR. The fiscal year of the Company ends on the Sunday nearest September 30. All references herein to "1996", "1995" and "1994" mean the fiscal years ended September 29, 1996, October 1, 1995 and October 2, 1994, respectively. Quarterly financial results are based upon a 13-week reporting period.

ESTIMATES IN FINANCIAL STATEMENTS. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and

31

32

assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

REVENUE RECOGNITION. Revenue is recognized when a product is shipped and title transfers to the customer. Provisions for cash discounts, returns and warranty costs are recorded in the period the sale is reported, based on experience.

RESEARCH AND DEVELOPMENT. Research and development costs, other than certain software development costs, are expensed as incurred.

INCOME TAXES. Income taxes are accounted for using the assets and liability method under which deferred income taxes are recognized for the estimated tax consequences of temporary differences between the financial statement carrying amounts and the tax bases of assets and liabilities. Provision has not been made for deferred U.S. income taxes on the undistributed earnings of foreign subsidiaries since these earnings are intended to be permanently invested.

NET EARNINGS PER SHARE. Net earnings per share are based on the weighted average number of common and common equivalent shares outstanding during the period. Stock options are considered to be common equivalent shares.

FINANCIAL INSTRUMENTS. The carrying value of financial instruments approximates their estimated fair values based upon quoted market prices.

CASH EQUIVALENTS. All highly liquid debt instruments with a maturity of ninety days or less at the time of acquisition are considered to be cash equivalents.

MARKETABLE SECURITIES. Investments in marketable securities are classified into one of three categories: held-to-maturity, trading or available-for-sale. At September 29, 1996, the Company held no investments in marketable securities. At October 1, 1995, substantially all of the Company's investments were notes and obligations of the U.S. government and certain of its agencies and were classified as available-for-sale. Investments in marketable securities available for sale are carried at fair value, with unrealized gains and losses, net of tax, reflected in stockholders' equity. Realized gains and losses on the sales of such investments are determined using the specific identification method.

INVENTORIES. Inventories are stated at the lower of cost or market value. Cost is determined by the first-in, first-out method. The elements of cost include materials, direct labor, factory overhead and outside processing charges.

PROPERTY, PLANT AND EQUIPMENT. Property, plant and equipment are stated at cost. Depreciation and amortization are calculated generally using the straight-line method over the estimated service lives of the assets (generally 5 to 31.5 years). Leasehold improvements are amortized on a straight-line basis over the period of the lease or the estimated service lives of the improvements, whichever is shorter.

OTHER ASSETS. Other assets include intangibles such as goodwill, capitalized software development costs, and licensing arrangements.

Goodwill represents the unamortized cost in excess of fair value of net assets acquired and is amortized on a straight-line basis over the periods estimated to be benefited, currently not exceeding ten years. The Company capitalizes certain development costs of software included in hardware products after technological feasibility has been established. These costs are amortized over the estimated

revenue producing lives of the related products, commencing upon general release to the market and continuing over two to five years. The costs of purchased software are capitalized if related to a product that has achieved technological feasibility or if an alternative future use exists. Such costs are amortized over their estimated economic lives. Other acquired intangible assets are recorded at cost and are amortized using the straight-line method over their estimated economic lives, currently not exceeding 10 years.

On an ongoing basis, the Company evaluates the carrying values and amortization rates for goodwill and other intangible assets. As a result of the Megahertz merger, the Company determined that goodwill pertaining to certain prior acquisitions had been impaired and, accordingly, recorded an adjustment to reflect such goodwill at its estimated recoverable value (See Note C).

32

33

STOCK BASED COMPENSATION. In October 1995, the Financial Accounting Standards Board issued SFAS No. 123, "Accounting for Stock-Based Compensation." SFAS No. 123 encourages but does not require adoption of a fair value method of accounting for stock options; for those entities which do not elect to adopt the fair value method, the new standard requires supplemental disclosures regarding the pro-forma effects of that method. SFAS No. 123 is effective for the Company's 1997 fiscal year. At this time, the Company expects to provide only the supplemental disclosures as permitted by SFAS No. 123; consequently, the new standard is not expected to have any impact on the Company's results of operations or financial position.

FOREIGN CURRENCY TRANSLATION. The functional currency for the majority of the Company's foreign subsidiaries is the local currency.

RECLASSIFICATION. Certain 1995 and 1994 amounts have been reclassified to conform to the 1996 basis of presentation.

NOTE C - BUSINESS COMBINATIONS

On February 22, 1995, the Company consummated a business combination with Megahertz, a company engaged in the design, manufacture, marketing and support of mobile information access products. The Company issued approximately 24,748,000 shares of its common stock in exchange for all of the outstanding shares of common stock of Megahertz. The Megahertz merger has been accounted for as a pooling of interests and, accordingly, the accompanying financial statements have been restated to include the accounts and operations of Megahertz for all periods presented.

As a direct result of the Megahertz merger, the Company recorded a non-recurring charge totaling \$29,449 during 1995. The components of the non-recurring charge are as follows:

<TABLE>	
<S>	<C>
Consolidation of overlapping product lines:	
Write-down of inventory.....	\$ 9,961
Write-down of goodwill.....	4,712
Transaction costs (financial advisory, legal, accounting, tax and other)....	5,961
Personnel related costs.....	3,304
Excess facilities costs.....	3,081
Other.....	2,430

	\$29,449
	=====

</TABLE>

Further, as a result of the Megahertz merger, it was determined that a portion of the Company's existing inventory and goodwill had been impaired; therefore, the Company wrote down inventory and goodwill to their respective net realizable values.

In the fourth quarter of 1995, the Company issued approximately 1,022,000 and 1,246,000 shares of its common stock in exchange for all of the outstanding capital shares of ISC and Palm, respectively. ISC develops technology related to ISDN and Frame Relay-based client and server products. Palm develops hand-held computing devices and related operating systems and applications software. Each of these transactions has been accounted for as a pooling of interests. Because the aggregated historical operations of ISC and Palm prior to the dates of combination were not material to the Company's consolidated results of operations and financial position, prior period financial statements have not been restated.

On February 29, 1996, the Company issued approximately 694,000 shares of its common stock in exchange for all of the outstanding capital stock of Amber Wave. Amber Wave develops technology related to LAN switching products. The

transaction was accounted for as a pooling of interests. Since the aggregated historical operations of Amber Wave prior to the date of combination were not material to the Company's consolidated results of operations and financial position, prior period financial statements have not been restated.

On August 29, 1996, the Company completed the acquisition of Scorpio. Scorpio designs, manufactures and sells scaleable, fully redundant, fault-tolerant ATM switches that target workgroup local area network (LAN), corporate backbone and wide area network (WAN) access environments. The aggregate purchase price of approximately \$74,532, including direct costs of acquisition, was financed primarily through available cash resources and proceeds from short-term borrowings. Approximately \$5,400 of the purchase price is being held in escrow for a period of one year from the

33

34

date of acquisition to indemnify the Company against losses resulting from breach of representations and warranties or other unforeseen circumstances.

The acquisition has been accounted for as a purchase and, accordingly, Scorpio's results of operations have been included in the consolidated financial statements since the date of acquisition. The Company engaged a nationally recognized appraisal firm to perform a valuation analysis to serve as a basis of the allocation of the purchase price. Based on the results of the analysis, the Company allocated the total purchase price as follows:

<TABLE>	
<CAPTION>	
<S>	<C>
Tangible and identifiable intangible net assets.....	\$ 750
Developed technology.....	16,000
In-process technology.....	54,000
Goodwill.....	3,782

	\$74,532
	=====

</TABLE>

The valuation of the developed and in-process technologies was accomplished through the application of an income approach. The fair value of the purchased developed technology was determined to be \$16,000. This amount has been recorded as capitalized software development costs and is being amortized on a straight-line basis over ten years. The fair value of the purchased in-process technology was determined to be \$54,000. This amount was expensed upon acquisition. Goodwill of \$3,782 represents the excess of purchase price over net assets acquired and is being amortized over ten years.

The following unaudited pro forma information has been prepared assuming that Scorpio had been acquired as of the beginning of each of the years presented.

<TABLE>	
<CAPTION>	
	1996 1995
	----- -----
	(Unaudited)
<S>	<C> <C>
Net sales.....	\$1,977,873 \$889,347
Net earnings	\$ 215,014 \$ 59,707
Net earnings per share.....	\$ 2.26 \$.70

</TABLE>

The pro forma information excludes the charge of \$54,000 for purchased in-process technology which was expensed upon acquisition as discussed above. Further, the pro forma information does not purport to be indicative of the results that would have occurred had the acquisition been in effect for the periods presented, nor does it purport to be indicative of the results to be obtained in the future.

NOTE D - CASH FLOW INFORMATION

The Consolidated Statement of Cash Flows provides information concerning changes in cash and cash equivalents. Net cash flows from operating activities reflect cash payments for interest and income taxes as follows:

<TABLE>	
<CAPTION>	
	1996 1995 1994
	----- ----- -----
<S>	<C> <C> <C>
Interest paid.....	\$ 4,969 \$ 5,038 \$ 704

Income taxes paid..... \$85,603 \$29,844 \$10,008
 </TABLE>

NOTE E - BALANCE SHEET DETAIL

<TABLE>
 <CAPTION>

	1996	1995
<S>	<C>	<C>
Inventories		
Finished products.....	\$116,802	\$ 32,688
Work-in-process.....	12,654	21,373
Raw materials.....	56,399	48,971
	-----	-----
	\$185,855	\$103,032
	=====	=====

</TABLE>

Allowances for potentially excess or obsolete inventories resulting from changing market conditions were \$17,587 and \$8,621 at the end of 1996 and 1995, respectively.

34

35

<TABLE>
 <CAPTION>

	1996	1995
<S>	<C>	<C>
Property, plant and equipment		
Land and buildings.....	\$ 79,206	\$ 45,077
Leasehold improvements.....	22,506	-
Computer, test and factory equipment.....	206,547	87,844
Furniture and fixtures.....	27,698	14,202
	-----	-----
	335,957	147,123
Less accumulated depreciation and amortization.....	59,366	29,967
	-----	-----
	\$276,591	\$117,156
	=====	=====

</TABLE>

35

36

<TABLE>
 <S>

	<C>	<C>
Other assets		
Goodwill.....	\$ 12,650	\$ 9,204
Capitalized software development costs, including purchased developed technology.....	16,697	-
Other acquired intangibles.....	16,044	5,500
	-----	-----
	45,391	14,704
Less accumulated amortization.....	9,143	7,948
	-----	-----
	36,248	6,756
Other	3,835	1,399
	-----	-----
	\$ 40,083	\$ 8,155
	=====	=====
Accrued Liabilities		
Employee compensation and benefits	\$ 39,639	\$18,701
Marketing expenses.....	45,111	24,257
Warranty costs.....	17,228	5,373
Taxes other than income taxes.....	3,873	2,831
Merger related costs.....	-	6,066
Other.....	32,896	20,943
	-----	-----
	\$138,747	\$78,171
	=====	=====

</TABLE>

NOTE F - SHORT-TERM BORROWINGS

The Company has uncommitted lines of credit totaling \$90,000 from commercial banks. These lines do not have termination dates but are reviewed

annually for renewal. As of September 29, 1996, short-term borrowings under these lines totaled \$32,500 at an average annual interest rate of 5.6 percent. There were no borrowings under the uncommitted lines of credit during 1995.

NOTE G - INCOME TAXES

The components of earnings before income taxes are as follows:

	1996	1995	1994
	-----	-----	-----
<S>	<C>	<C>	<C>
United States.....	\$324,705	\$109,529	\$54,847
Foreign.....	(22,815)	(609)	522
	-----	-----	-----
	\$301,890	\$108,920	\$55,369
	=====	=====	=====

</TABLE>

Income tax expense (benefit) consists of the following:

	1996	1995	1994
	-----	-----	-----
<S>	<C>	<C>	<C>
Current			
Federal.....	\$117,723	\$44,394	\$18,598
State.....	20,635	7,376	4,360
Foreign.....	12,213	3,750	809
Deferred.....	(18,701)	(12,551)	(4,519)
	-----	-----	-----
	\$131,870	\$42,969	\$19,248
	=====	=====	=====

</TABLE>

The components of the deferred tax assets and liabilities are as follows:

	1996	1995
	-----	-----
<S>	<C>	<C>
Deferred tax assets		
Net operating loss carryforward.....	\$5,032	\$2,684
Accrued liabilities		
Marketing expenses.....	10,062	5,993
Employee compensation and benefits.....	3,571	1,858
Warranty costs.....	6,042	1,993
Merger costs.....	-	2,365
Other.....	3,896	343
Inventories.....	5,428	3,991
Accounts receivable.....	16,584	5,830
	-----	-----
	50,615	25,057
Valuation allowance.....	(2,719)	(2,684)
	-----	-----
	47,896	22,373
Deferred tax liabilities		
Property, plant and equipment.....	(9,014)	(3,102)
Other assets.....	(1,054)	(144)
	-----	-----
	(10,068)	(3,246)
	-----	-----
Total temporary differences.....	\$37,828	\$19,127
	=====	=====

</TABLE>

The valuation allowance primarily relates to net operating loss carryforwards and tax credits generated by certain Company subsidiaries which the Company has not determined to be more likely than not to be realizable at this time.

The Company's effective tax rate varied from the U.S. Federal income tax rate for the following reasons:

<TABLE>
<CAPTION>

	1996	1995	1994
	-----	-----	-----
<S>	<C>	<C>	<C>
U.S. Federal income tax rate.....	35.0%	35.0%	35.0%
State income tax - net of federal income tax benefit.....	3.0	4.1	4.9
Incremental research credit.....	(0.5)	(1.5)	(3.7)
Tax exempt interest.....	(0.2)	-	(0.2)
Foreign sales corporation.....	(0.8)	(1.4)	(1.6)
Non-deductible expenses.....	0.4	3.7	-
Purchased in-process technology.....	6.6	-	-
Other - net.....	0.2	(0.4)	0.4
	-----	-----	-----
	43.7%	39.5%	34.8%
	=====	=====	=====

</TABLE>

The exercise by employees of certain stock options results in a current tax benefit for the Company, equivalent to the applicable tax rate multiplied by the difference between the market price at the date of exercise and the option price. The current tax benefit is not recognized as a reduction of income tax expense, but rather is credited directly to additional contributed capital. Tax benefits of \$54,460, \$28,873 and \$6,928 associated with the exercise of employee stock options were credited to additional contributed capital in 1996, 1995 and 1994, respectively.

Provision has not been made for deferred U.S. income taxes on undistributed earnings of foreign subsidiaries totaling \$36,275 since those earnings are intended to be permanently invested. It is not practicable to estimate the income tax liability that might be incurred upon the remittance of such earnings.

37

38

NOTE H - LONG-TERM OBLIGATIONS

Long-term obligations consist of the following:

<TABLE>
<CAPTION>

	1996	1995
	-----	-----
<S>	<C>	<C>
7.52% Unsecured Senior Notes.....	\$60,000	\$60,000
8.61% Secured Note.....	4,881	4,944
Other.....	1,337	956
	-----	-----
	66,218	65,900
Less current maturities.....	12,174	249
	-----	-----
	\$54,044	\$65,651
	=====	=====

</TABLE>

On July 7, 1994, the Company arranged a private placement of \$60,000 in 7.52% Unsecured Senior Notes with three insurance companies. The notes are payable in five equal annual installments beginning in June 1997.

On September 12, 1996, the Company replaced an existing unsecured \$50,000 line of credit with a new unsecured \$300,000 Multicurrency Credit Agreement with a group of banks. This facility will expire on September 12, 1999, but contains provisions providing for extensions on an annual basis. Also, the revolving credit commitment under the facility is expandable to \$600,000 under certain terms and conditions. Commitment fees vary depending upon the Company's leverage ratio, as defined; currently, fees are payable at 0.1 % per annum on the total commitment. Borrowings under the facility bear interest at one of several specified floating rates, as selected by the Company at the time of borrowing. At September 29, 1996, there were no outstanding borrowings under this facility.

The terms of the Unsecured Senior Notes and Multicurrency Credit Agreement include various covenants which, among other things, restrict dividend payments and require the Company to maintain certain financial ratios with respect to tangible net worth, interest coverage and maximum debt levels. The Company was in compliance with such covenants through September 29, 1996.

Principal payments due under long-term obligations are as follows: 1997, \$12,174; 1998, \$12,337; 1999, \$12,429; 2000, \$12,746; 2001, \$13,184; thereafter, \$3,348.

NOTE I - COMMITMENTS

In November 1995, the Company entered into an operating lease for an office and manufacturing facility in Mount Prospect, Illinois. The operating lease provides for an initial term of fifteen years and three additional five year renewal options, as well as an option to purchase the facility in January, 1997 for approximately \$14,200. The Company has provided notice of its intention to exercise the purchase option.

The Company leases certain other equipment and office and manufacturing facilities under operating leases which expire through 2020. Future annual minimum lease payments under such non-cancelable operating leases are as follows: 1997, \$7,646; 1998, \$11,190; 1999, \$11,190; 2000, \$10,199; 2001, \$10,285; thereafter, \$47,127.

Total rent expense associated with operating leases for 1996, 1995 and 1994 amounted to approximately \$3,347, \$1,773 and \$1,107, respectively.

NOTE J - STOCKHOLDERS' EQUITY

In June 1995, the Company completed a public offering involving the issuance and sale by the Company of 6,000,000 shares of its common stock, resulting in net proceeds to the Company of \$123,053.

On August 10, 1995, the Company's Board of Directors approved a two-for-one split of the Company's common stock in the form of a 100% stock dividend payable to stockholders of record as of August 25, 1995. On September 8, 1995, 20,758,095 shares were issued to effect the stock split.

On March 7, 1996, the Company's stockholders approved an amendment to the Company's Certificate of Incorporation to increase the number of authorized shares of the Company's common stock to 250,000,000 shares and preferred stock to 10,000,000 shares.

38

39

On April 12, 1996, the Company's Board of Directors approved a two-for-one split of the Company's common stock in the form of a 100% stock dividend payable to stockholders of record as of April 25, 1996. On May 10, 1996, 43,791,954 shares were issued to effect the stock split.

Effective May 9, 1996, the Board of Directors of the Company approved the replacement of its stockholder rights plan with a new stockholder rights plan. Under the new plan, stockholders have certain rights to purchase Series B Junior Participating Preferred Stock, par value \$.01 per share ("Series B Junior Preferred"), under certain circumstances, including the event of unsolicited attempts to acquire a controlling interest in the Company. Each right, when exercisable, will entitle the holder to purchase from the Company one one-hundredth of a share of Series B Junior Preferred at a price of \$500.00 or, in certain circumstances, such right will entitle the holder, other than an acquiring person, to receive, upon exercise at the then current exercise price of the right, common stock of the Company (or, in certain circumstances, cash, property or other securities of the Company) having a value equal to two times the exercise price of the right. Of the 10,000,000 preferred shares the Company is authorized to issue, 2,500,000 shares have been designated Series B Junior Preferred. The Series B Junior Preferred has certain dividend, voting and liquidation preferences. No preferred shares have been issued.

NOTE K - STOCK OPTIONS

Coincident with the February 1995 corporate reorganization, options granted under the Executive Officer and Director Stock Option Plan of USR and the Key Employee Stock Option Plan of USR were substituted for options granted under previous Robotics and Megahertz stock option plans and such stock option plans were terminated.

On March 7, 1996, the Company's shareholders approved the adoption of amended and restated Executive Officers and Directors Stock Option and Key Employee Stock Option Plans. On June 27, 1996, the Company's Board of Directors approved The Agreement for Exchange of Shares ("The Agreement") for the acquisition of Scorpio. Contained in the agreement was a provision for the establishment of the 1996 Stock Option Plan for Israeli Employees. The 1996 Stock Option Plan for Israeli Employees was adopted on July 1, 1996.

The Executive Officer and Director Stock Option Plan, as amended and restated in 1996, provides for options to be granted to employees of the Company and others, including, but not limited to, directors and executive officers who are subject to the reporting requirements of Section 16 of the Securities

Exchange Act of 1934. The Key Employee Stock Option Plan, as amended and restated in 1996, provides for options to be granted to key employees other than such executive officers and directors. The 1996 Stock Option Plan for Israeli Employees provides for options to be granted to key employees of the Company who are residents of Israel.

The Stock Option and Compensation Committee of the Board of Directors, which consists of two outside directors, determines, within limits set forth in the Company's stock option plans, the term of each option, the option exercise price, the number of shares subject to each option and the times at and conditions under which each option is or becomes exercisable (generally in equal annual installments over five years following the date of grant). On March 7, 1996, the Company's stockholders approved an increase of 2,000,000 to the number of shares subject to the Key Employee Stock Option Plan. The Company has reserved 18,000,000, 14,400,000, and 328,000 shares for issuance under the Executive Officer and Director Stock Option Plan, the Key Employee Stock Option Plan, and the 1996 Stock Option Plan for Israeli Employees, respectively. The expiration date of the Executive Officer and Director Stock Option Plan and the Key Employee Stock Option Plan is December 31, 2004. The expiration date of the 1996 Stock Option Plan for Israeli Employees is June 30, 2006. Under the Company's stock option plans, options for 23,620,758 shares have been granted with exercise prices ranging from \$.09 to \$98.63 per share.

In connection with the acquisitions of Amber Wave and Scorpio, the Company substituted options for a total of 97,122 shares under the Key Employee Stock Option Plan for outstanding options under the acquired companies' plans.

39

40

Changes in options outstanding under all Plans in 1994, 1995 and 1996 are as follows:

<TABLE>
<CAPTION>
<S>

	<C>	<C>
	NUMBER OF OPTIONS OUTSTANDING	EXERCISE PRICE
	-----	-----
October 1, 1993.....	11,950,728	\$ 0.09 to \$10.00
Granted.....	5,701,604	\$ 4.95 to \$13.70
Canceled.....	(485,588)	\$ 0.56 to \$ 8.07
Exercised.....	(2,170,960)	\$ 0.09 to \$ 8.52

October 2, 1994.....	14,995,784	\$ 0.09 to \$13.70
Granted.....	5,280,084	\$ 7.78 to \$42.75
Canceled.....	(340,562)	\$ 5.09 to \$13.70
Exercised.....	(4,271,258)	\$ 0.09 to \$13.70

October 1, 1995.....	15,664,048	\$ 0.09 to \$42.75
Granted.....	4,904,182	\$35.18 to \$98.63
Canceled.....	(461,482)	\$ 0.59 to \$95.75
Exercised.....	(3,021,287)	\$ 0.09 to \$42.75

September 29, 1996.....	17,085,461	\$ 0.09 to \$98.63
	=====	

</TABLE>

At September 29, 1996, options to purchase 4,924,353 shares were exercisable at prices ranging from \$0.09 to \$42.75.

NOTE L - EMPLOYEE STOCK PURCHASE PLAN

On February 22, 1995, USR stockholders approved the establishment of the U.S. Robotics Corporation Employee Stock Purchase Plan (the "ESPP") to replace the existing Robotics and Megahertz Employee Stock Purchase Plans. Under the ESPP, employees meeting certain eligibility requirements may elect to use up to ten percent of their compensation to purchase USR's common stock at a purchase price equal to 85% of the fair market value of the stock at the beginning or end of each offering period, whichever is lower. Executive officers of the Company are not eligible to participate in the ESPP. Under the ESPP, the Company reserved for issuance a total of 2,000,000 shares. Under the stock purchase plans, 69,372, 106,640 and 91,734 shares were issued in fiscal 1996, 1995 and 1994, respectively. An additional 20,477 shares were distributable at September 29, 1996.

40

NOTE M - SEGMENT AND GEOGRAPHIC INFORMATION

The Company operates in one industry segment, the manufacture and sale of information access products. These products are used in a wide range of industries and businesses and are sold both directly to end users and through various distribution networks in the United States and internationally. Information about the Company's operations in different geographic areas is shown below.

<TABLE>

<CAPTION>

	UNITED STATES	EUROPE	ELIMINATIONS	CONSOLIDATED
<S>	<C>	<C>	<C>	<C>
1996				
Sales to unaffiliated customers.....	\$1,664,737	\$312,775	\$ -	\$1,977,512
Transfers between geographic areas.....	181,595	-	(181,595)	-
Total net sales.....	\$1,846,332	\$312,775	\$(181,595)	\$1,977,512
Operating profit.....	\$ 259,493	\$ 45,165	\$ (5,331)	\$ 299,327
Identifiable assets.....	\$ 967,862	\$150,461	\$ (51,040)	\$1,067,283
1995				
Sales to unaffiliated customers.....	\$ 751,357	\$137,990	\$ -	\$ 889,347
Transfers between geographic areas.....	81,498	-	(81,498)	-
Total net sales.....	\$ 832,855	\$137,990	\$(81,498)	\$ 889,347
Operating profit.....	\$ 108,020	\$ 766	\$ (1,724)	\$ 107,062
Identifiable assets.....	\$ 624,099	\$ 65,728	\$ (30,204)	\$ 659,623
1994				
Sales to unaffiliated customers.....	\$ 433,885	\$ 65,190	\$ -	\$ 499,075
Transfers between geographic areas.....	35,347	-	(35,347)	-
Total net sales.....	\$ 469,232	\$ 65,190	\$(35,347)	\$ 499,075
Operating profit.....	\$ 55,671	\$ 730	\$ 865	\$ 57,266
Identifiable assets.....	\$ 298,443	\$ 51,772	\$ (26,938)	\$ 323,277

</TABLE>

Transfers between geographic areas represent intercompany sales made at established transfer prices. Export sales from the Company's U.S. operations to unaffiliated customers were \$204,384, \$92,412 and \$44,264 for the fiscal years ended 1996, 1995 and 1994, respectively.

One customer and its international affiliates accounted for approximately 14%, 12% and 21% of the Company's sales during 1996, 1995 and 1994, respectively. A second customer and its international affiliates accounted for approximately 11% of the company's sales during 1994; for 1995 and 1996, this customer accounted for less than 10% of sales. Accounts receivable from these customers bore a similar relationship to total receivables as the percentages above.

NOTE N - EMPLOYEE BENEFIT PLANS

In April 1996, the Company merged the former Robotics, Megahertz, ISC and Palm 401(k) plans, containing substantially similar provisions, into a new Employees' Retirement Investment Plan under section 401(k) of the Internal Revenue Code. This plan covers substantially all employees of the Company. Participants may elect to contribute up to 15% of their compensation each plan year, subject to certain IRS limitations. The Company may elect to make contributions to the plan at the discretion of the Board of Directors. Contributions under the newly adopted plan and former plans of the Company were \$2,573, \$1,481 and \$967 for 1996, 1995 and 1994, respectively.

In March 1996, the stockholders approved the establishment of the Senior Executive Performance Bonus Plan, which governs performance bonuses to be awarded to certain key executives for services rendered. Bonuses are awarded each quarter by the Stock Option and Compensation Committee of the Board with the bonus amounts determined by the Committee, based upon the Company

achieving certain quarterly and annual earnings per share targets. In no event

shall the key executive bonus pool exceed 10% of the Company's earnings before income taxes. Bonuses paid under this program and predecessor programs, which were substantially similar in purpose for 1996, 1995 and 1994 were \$10,360, \$7,461 and \$3,130, respectively.

NOTE O - LITIGATION

The Company is a party to lawsuits in the normal course of its business. The Company and its counsel believe that the Company has meritorious defenses in lawsuits in which the Company is a defendant. The Company does not believe the outcome of these cases will have a material effect on its financial position or results of operations.

NOTE P - QUARTERLY FINANCIAL RESULTS (UNAUDITED)

<TABLE>
<CAPTION>

	NET SALES	GROSS PROFIT	NET EARNINGS	NET EARNINGS PER SHARE
<S>	<C>	<C>	<C>	<C>
1996				
First quarter.....	\$364,812	\$152,616	\$41,645	\$.45
Second quarter.....	\$454,505	\$190,317	\$51,605	\$.55
Third quarter.....	\$546,785	\$228,961	\$63,298	\$.66
Fourth quarter (1).....	\$611,410	\$256,172	\$13,472	\$.14
1995				
First quarter.....	\$162,454	\$ 67,087	\$11,857	\$.15
Second quarter (2).....	\$196,149	\$ 79,773	\$(4,987)	\$(.06)
Third quarter.....	\$237,347	\$ 98,296	\$24,862	\$.30
Fourth quarter.....	\$293,397	\$123,032	\$34,219	\$.37
1994				
First quarter.....	\$108,518	\$ 45,538	\$ 9,668	\$.13
Second quarter.....	\$123,139	\$ 49,891	\$10,039	\$.13
Third quarter.....	\$135,566	\$ 55,805	\$11,028	\$.14
Fourth quarter.....	\$131,852	\$ 49,849	\$ 5,386	\$.07

</TABLE>

- (1) Includes a charge of \$54,000 (\$54,000 after-tax) related to purchased in-process technology acquired in the Scorpio transaction recorded during the fourth quarter of 1996. Excluding this charge, net earnings and net earnings per share for the fourth quarter of 1996 would have been \$67,472 and \$0.71, respectively.
- (2) Includes non-recurring merger related charges for the Megahertz merger of \$27,338 (\$21,822 after-tax) recorded during the second quarter of 1995. Excluding these charges, net earnings and net earnings per share for the second quarter of 1995 would have been \$16,834 and \$0.21, respectively.

42

43

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

None.

43

44

PART III

The information required by this Part III will be provided in the definitive proxy statement for the Company's 1997 Annual Meeting of Stockholders (involving the election of directors), which definitive proxy statement will be filed pursuant to Regulation 14A not later than 120 days following the Company's fiscal year ended September 29, 1996, and is incorporated herein by this reference to the following extent:

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Incorporated by reference from Proxy Statement section entitled "Election of Directors" and "Principal Holders of Securities." Information about the Company's executive officers and directors is also set forth in Item 4(a) in Part I of this Report.

ITEM 11. EXECUTIVE COMPENSATION

Incorporated by reference from Proxy Statement section entitled "Executive Compensation."

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Incorporated by reference from Proxy Statement section entitled "Principal Holders of Securities."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Incorporated by reference from Proxy Statement section entitled "Certain Relationships and Related Transactions."

44

45

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENTS, SCHEDULE AND REPORTS ON FORM 8-K

The following documents are filed as part of this report:

(A) (1) FINANCIAL STATEMENTS

The following consolidated financial statements of U.S. Robotics Corporation and Subsidiaries are included in Part II, Item 8 of this report:

- Consolidated Statement of Earnings - Fiscal Years 1996, 1995 and 1994
- Consolidated Balance Sheet - September 29, 1996 and October 1, 1995
- Consolidated Statement of Stockholders' Equity - Fiscal Years 1996, 1995, and 1994
- Consolidated Statement of Cash Flows - Fiscal Years 1996, 1995, and 1994
- Notes to Consolidated Financial Statements - Fiscal Years 1996, 1995 and 1994

(A) (2) SCHEDULES

- Report of Independent Certified Public Accountants on Schedule II
- Schedule II -- Valuation and Qualifying Accounts.

(A) (3) EXHIBITS

Many Company exhibits are incorporated by reference to the following previous filings of the Company:

Registration Statement on Form S-1, filed on October 4, 1991 by U.S. Robotics, Inc. (predecessor to U.S. Robotics Corporation), file number 33-42546 (the "1991 Form S-1")

Amendment No. 2 to Registration Statement on Form S-4, filed on January 20, 1996 by U.S. Robotics Corporation and its predecessor, U.S. Robotics, Inc., file number 33-86856 (the "1995 Form S-4").

Registration Statement on Form S-8, filed on September 6, 1996 by U.S. Robotics Corporation, file number 33-89702 (the "1996 Form S-8").

Registration Statement on Form 8-A, filed on May 16, 1996 by U.S. Robotics Corporation (the "1996 Form 8-A").

Report on Form 10-K for the fiscal year ended October 1, 1995, filed on January 2, 1996 by U.S. Robotics Corporation (the "1995 Form 10-K").

Definitive 1995 Proxy Statement, filed on January 30, 1996 by U.S. Robotics Corporation (the "1995 Proxy Statement").

Report on Form 10-Q for the second quarter ended April 2, 1995, filed on May 23, 1995 by U.S. Robotics Corporation (the "1995 2nd Quarter 10-Q").

THE EXHIBITS SET FORTH BELOW ARE FURNISHED AS PART OF THIS REPORT:

- 2.1 Amended and Restated Plan and Agreement of Merger dated as of January 10, 1995, between and among U.S. Robotics Holdings Corporation, USR Restructuring Company and U.S. Robotics, Inc. (incorporated by reference

to Exhibit 2.2 of the 1995 Form S-4, which appears in Annex A to the Joint Proxy Statement-Prospectus, contained therein).

- 2.2 Amended and Restated Agreement and Plan of Merger dated November 30, 1994, between and U.S. Robotics, Inc., USR Transitory, Inc., and U.S. Robotics Holding Corporation (incorporated by reference to Exhibit 2.1 of the 1995 Form S-4, which appears in Annex D to the Joint Proxy Statement-Prospectus, contained therein).

45

- 46
- *3.1 Certificate of Incorporation of U.S. Robotics Corporation (f/k/a U.S. Robotics Holding Corporation).
- 3.2 By-laws of U.S. Robotics Corporation (incorporated by reference to Exhibit 4.3 of the 1996 Form S-8).
- 4.1 Form of Certificate of Common Stock of U.S. Robotics Corporation (incorporated by reference to Exhibit 4.1.1. of the 1995 Form S-4).
- 4.2 Rights Agreement between U.S. Robotics Corporation and Harris Trust and Savings Bank, as Rights Agent, dated May 9, 1996 (incorporated by reference to Exhibit 1 of the 1996 Form 8-A).
- 10.1 Form of Directorship Agreement, between U.S. Robotics Corporation and each of its directors (incorporated by reference to Exhibit 10.1 of the 1995 Form 10-K).
- 10.2 Key Employee Stock Option Plan of U.S. Robotics Corporation as amended and restated, effective as of March 7, 1996 (incorporated by reference to Appendix A of the 1995 Proxy Statement).
- 10.3 Executive Officer and Director Stock Option Plan of U.S. Corporation as amended and restated, effective as of March 7, 1996 (incorporated by reference to Appendix B of the 1995 Proxy Statement).
- 10.4 Employee Stock Purchase Plan of U.S. Robotics Corporation (incorporated by reference to Exhibit 10.3 of the 1995 Form S-4).
- *10.5 Amendment #2 to Employee Stock Purchase Plan of U.S. Robotics Corporation, dated August 10, 1995 and effective as of October 1, 1995.
- *10.6 Amendment #3 to Employee Stock Purchase Plan of U.S. Robotics Corporation, dated November 14, 1996 and effective as of January 1, 1997.
- 10.7 Senior Executive Performance Bonus Plan of U.S. Robotics Corporation effective as of March 7, 1996 (incorporated by reference to Appendix C of the 1995 Proxy Statement).
- *10.8 \$300,000,000 Multicurrency Credit Agreement, dated as of September 12, 1996.
- *10.9 First Restatement of the U.S. Robotics Corporation 401(k) Retirement Savings Plan, effective as of April 1, 1996.
- 10.10 Amended and Restated Note Agreement, dated as of March 1, 1995 (incorporated by reference to Exhibit 10.5 of the 1995 2nd Quarter 10-Q).
- 10.11 Employment Agreement between U.S. Robotics Corporation's subsidiary, U.S. Robotics Access Corp. (formerly U.S. Robotics, Inc.) and Casey Cowell, dated August 28, 1991 (incorporated by reference to Exhibit 10.17 of the 1991 Form S-1).
- 10.12 Employment Agreement between U.S. Robotics Corporation's subsidiary, U.S. Robotics Access Corp. (formerly U.S. Robotics, Inc.) and John McCartney, dated August 28, 1991 (incorporated by reference to Exhibit 10.18 of the 1991 Form S-1).
- 10.13 Employment Agreement between U.S. Robotics Corporation's subsidiary, U.S. Robotics Access Corp. (formerly U.S. Robotics, Inc.) and Jonathan N. Zakin, dated August 28, 1991 (incorporated by reference to Exhibit 10.19 of the 1991 Form S-1).
- 10.14 Employment Agreement between U.S. Robotics Corporation's subsidiary, U.S. Robotics Access Corp. (formerly U.S. Robotics, Inc.) and Ross Manire, dated January 1, 1994 (incorporated by reference to Exhibit 10.20 of the 1991 Form S-1).
- 10.15 Employment Agreement between U.S. Robotics Corporation's subsidiary, U.S. Robotics Access Corp. (formerly U.S. Robotics, Inc.) and Michael Seedman,

47

*11 Statement regarding Computation of Net Earnings Per Share.

*21 Subsidiaries of U.S. Robotics Corporation.

*23 Consent of Grant Thornton LLP.

25 Power of Attorney (included as part of signature page).

*27 Financial Data Schedule.

* Filed herewith.

(B) REPORTS ON FORM 8-K

During the last quarter of the period covered by this report, U.S. Robotics Corporation filed the following Reports on Form 8-K:

DATE OF REPORT	ITEM REPORTED
July 24, 1996	U.S. Robotics Corporation announced its results of operations for the third quarter ended June 30, 1996.
August 29, 1996	On August 29, 1996, U.S. Robotics Corporation acquired Scorpio Communications Ltd.; all outstanding shares of Scorpio Communications were converted into U.S. Robotics Corporation common shares pursuant to merger and it became a wholly-owned subsidiary of U.S. Robotics Corporation.

47

48

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on the 27th day of December, 1996.

U.S. ROBOTICS CORPORATION

By: /s/ CASEY COWELL

Casey Cowell, President

POWER OF ATTORNEY

Know all men by these presents, that each person whose signature appears below constitutes and appoints George A. Vinyard and Mark Remissong, and each of them singly, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities (including his capacity as a director and officer of U.S. Robotics Corporation) to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue

thereof.

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

<TABLE>		
<CAPTION>		
SIGNATURE	TITLE	DATE
<S>	<C>	<C>
/s/ CASEY COWELL ----- Casey Cowell	Chairman, Chief Executive Officer, President and Director (Principal Executive Officer)	December 27, 1996
/s/ JOHN McCARTNEY ----- John McCartney	Executive Vice President, Chief Operating Officer and Director	December 27, 1996
/s/ JONATHAN N. ZAKIN ----- Jonathan N. Zakin	Executive Vice President and Director	December 27, 1996
/s/ MARK REMISSONG ----- Mark Remissong	Vice President and Chief Financial Officer (Principal Financial Officer)	December 27, 1996
/s/ STEVEN T. CAMPBELL ----- Steven T. Campbell	Vice President and Controller (Principal Accounting Officer)	December 27, 1996
/s/ JAMES E. COWIE ----- James E. Cowie	Director	December 27, 1996
/s/ TERENCE M. GRAUNKE ----- Terence M. Graunke	Director	December 27, 1996
/s/ PETER I. MASON ----- Peter I. Mason	Director	December 27, 1996
/s/ PAUL G. YOVOVICH ----- Paul G. Yovovich	Director	December 27, 1996

48

49

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON SCHEDULE

Board of Directors
U.S. Robotics Corporation

In connection with our audit of the consolidated financial statements of U.S. Robotics Corporation and Subsidiaries referred to in our report dated November 4, 1996, we also have audited Schedule II for each of the three years in the period ended September 29, 1996. In our opinion, this schedule presents fairly, in all material respects, the information required to be set forth therein.

/s/ GRANT THORNTON LLP

Grant Thornton LLP

Chicago, Illinois
November 4, 1996

49

50

SCHEDULE II

U.S. ROBOTICS CORPORATION AND SUBSIDIARIES
 VALUATION AND QUALIFYING ACCOUNTS
 (DOLLARS IN THOUSANDS)

<TABLE>
 <CAPTION>

	BALANCE AT BEGINNING OF PERIOD	CHARGED TO COSTS AND EXPENSES	CHARGED TO OTHER ACCOUNTS (1)	DEDUCTIONS (2)	BALANCE AT END OF PERIOD
<S>	<C>	<C>	<C>	<C>	<C>
Allowance for doubtful accounts:					
1996.....	\$7,354	\$ 7,314	\$ 142	\$3,237	\$11,573
1995.....	\$3,669	\$ 6,316	\$ 572	\$3,203	\$ 7,354
1994.....	\$2,378	\$ 1,793	\$ 41	\$ 543	\$ 3,669
Allowance for excess and obsolete inventory:					
1996.....	\$8,621	\$16,449	\$ (187)	\$7,296	\$17,587
1995.....	\$5,418	\$ 6,784	\$ 226	\$3,807	\$ 8,621
1994.....	\$1,462	\$ 4,927	\$ 172	\$1,143	\$ 5,418

</TABLE>

- (1) Reserves of companies acquired, currency translation, reclassification and other adjustments.
- (2) Uncollectible receivables charged off, net of recoveries. Disposal of excess and obsolete inventory.

CERTIFICATE OF INCORPORATION

OF

U.S. ROBOTICS HOLDING CORPORATION

1. The name of the Corporation is U.S. ROBOTICS HOLDING CORPORATION.

2. The address of the registered office in the State of Delaware is 1209 Orange Street in the City of Wilmington, County of New Castle. The name of its registered agent at such address is The Corporation Trust Company.

3. The nature of the business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

4. Capitalization. The total number of shares of stock which the Corporation shall have authority to issue is eighty million (80,000,000), of which seventy-five million (75,000,000) shares, of the par value of One Cent (\$0.01) each, shall be common stock and five million (5,000,000) shares, of the par value of One Cent (\$0.01) each, shall be preferred stock; preferred stock shall be issued from time to time (a) in one or more series with such distinctive serial designations; and (b) may have such voting powers, full or limited, or may be without voting powers; and (c) may be subject to redemption at such time or times and at such prices; and (d) may be entitled to receive dividends (which may be cumulative or noncumulative) at such rate or rates, on such conditions, and at such times, and payable in preference to, or in such relation to, the dividends payable on any other class or classes of stock; and (e) may have such rights upon the dissolution of, or upon any distribution of the assets of, the Corporation; and (f) may be made convertible into, or exchangeable for, shares of any other class or classes or of any other series of the same or any other class or classes of stock of the Corporation, at such price or prices or at such rates of exchange, and with such adjustments; and (g) shall have such other relative, participating, optional or other special rights and qualifications, limitations or restrictions thereof, all as shall hereafter be stated and expressed in the resolution or resolutions providing for the issue of such preferred stock from time to time adopted by the Board of Directors pursuant to authority to do so which is hereby vested in the Board.

5. The name and mailing address of the incorporator is: Daniel G. Kazan, 190 South LaSalle Street, Chicago, Illinois 60603.

6. In furtherance and not in limitation of the powers conferred by the laws of the State of Delaware, the Board of Directors is expressly authorized to adopt, amend or repeal the By-laws of the Corporation.

7. The business and affairs of the Corporation shall be managed by the Board of Directors, and the directors need not be elected by written ballot unless the By-laws so provide.

8. The Corporation reserves the right to amend, alter, change or repeal any provisions contained in this Certificate of Incorporation in the manner now or hereafter prescribed by law, and all the provisions of this Certificate of Incorporation and all rights and powers conferred in this Certificate of Incorporation on stockholders, directors and officers are subject to this reserved power, provided

2

that the affirmative vote of the holders of record of outstanding shares representing at least eighty percent (80%) of the voting power of all of the shares of capital stock of the Corporation then entitled to vote generally in the election of directors, voting together as a single class, shall be required to amend, alter, change or repeal any provision of, or to adopt any provision or provisions inconsistent with this Section 8 of the Certificate of Incorporation or Article III, Sections 2 and 14 of the By-laws unless such amendment, alteration, repeal or adoption of any inconsistent provision or provisions is declared advisable by the Board of Directors by the affirmative vote of at least seventy-five percent (75%) of the entire Board of Directors, notwithstanding the fact that a lesser percentage may be specified by the General Corporation Law of Delaware.

9. A director of this Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit.

I, THE UNDERSIGNED, being the incorporator hereinbefore named, for the purpose of forming a corporation pursuant to the General Corporation Law of the State of Delaware, do make this certificate, hereby declaring and certifying that this is my act and deed and the facts herein stated are true, and accordingly have hereunto set my hand this 29th day of November, 1994.

/s/ Daniel G. Kazan

Sole Incorporator

-2-

3

CERTIFICATE OF DESIGNATIONS

of

SERIES A PARTICIPATING PREFERRED STOCK

of

U.S. ROBOTICS HOLDING CORPORATION

(Pursuant to Section 151 of the

Delaware General Corporation Law)

U.S. Robotics Holding Corporation, a corporation organized and existing under the General Corporation Law of the State of Delaware (hereinafter called the "Corporation"), hereby certifies that the following resolution was adopted by the Board of Directors of the Corporation as required by Section 141(f) of the General Corporation Law by a written consent dated January 10, 1995.

RESOLVED, that pursuant to the authority granted to and vested in the Board of Directors of this Corporation (hereinafter called the "Board of Directors" or the "Board") in accordance with the provisions of the Certificate of Incorporation, the Board of Directors hereby creates a series of Preferred Stock, par value \$0.01 per share (the "Preferred Stock"), of the Corporation and hereby states the designation and number of shares, and fixes the relative rights, preferences, and limitations thereof as follows:

Series A Participating Preferred Stock:

Section 1. Designation and Amount. The shares of such series shall be designated as "Series A Participating Preferred Stock" (the "Series A Preferred Stock") and the number of shares constituting the Series A Preferred Stock shall be 750,000. Such number of shares may be increased or decreased by resolution of the Board of Directors; provided, that no decrease shall reduce the number of shares of Series A Preferred Stock to a number less than the number of shares then outstanding plus the number of shares reserved for issuance upon the exercise of outstanding options, rights or warrants or upon the conversion of any outstanding securities issued by the Corporation convertible into Series A Preferred Stock.

Section 2. Dividends and Distributions.

(A) The holders of shares of Series A Preferred Stock, in preference to the holders of Common Stock, par value \$.01 per share (the "Common Stock"), of the Corporation, and of any other junior stock, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the first day of March, June, September and December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) \$1.00 or (b) subject to the provision for adjustment hereinafter set forth, 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Preferred Stock. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation

4

of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock), then in each such case the amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such

event.

(B) The Corporation shall declare a dividend or distribution on the Series A Preferred Stock as provided in paragraph (A) of this Section immediately after it declares a dividend or distribution of the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of \$1.00 per share on the Series A Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be not more than 60 days prior to the date fixed for the payment thereof.

Section 3. Voting Rights. The holders of shares of Series A Preferred Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Series A Preferred Stock shall entitle the holder thereof to 100 votes on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein, in the Certificate of Incorporation, in any other Certificate of Designations creating a series of Preferred Stock or any similar stock, or by law, the holders of shares of Common Stock and any other capital stock of the Corporation having general voting rights shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

-2-

5

(C) Except as set forth herein, or as otherwise provided by the Certificate of Incorporation or by law, holders of Series A Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

Section 4. Certain Restrictions.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series A Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends, or make any other distributions, on any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock;

(ii) declare or pay dividends, or make any other distributions, on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except dividends paid ratably on the Series A Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series A Preferred Stock; or

(iv) redeem or purchase or otherwise acquire for consideration any shares of Series A Preferred Stock, or any shares of stock ranking

on a parity with the Series A Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Reacquired Shares. Any shares of Series A Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock subject to the conditions and restrictions on issuance set forth herein, in the Certificate of Incorporation or in any other Certificate of Designations creating a series of Preferred Stock or any similar stock or as otherwise required by law.

Section 6. Liquidation, Dissolution or Winding Up. Upon any liquidation, dissolution or winding up of the Corporation, no distribution shall be made (1) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock unless, prior thereto, the holders of shares of Series A Preferred Stock shall have received \$100 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or

-3-

6

not declared, to the date of such payment, provided that the holders of shares of Series A Preferred Stock shall be entitled to receive an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount to be distributed per share to holders of shares of Common Stock, or (2) to the holders of shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except distributions made ratably on the Series A Preferred Stock and all such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the

outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under the proviso in clause (1) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 7. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case each share of Series A Preferred Stock shall at the same time be similarly exchanged or changed into an amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Preferred Stock shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 8. No Redemption. The shares of Series A Preferred Stock shall not be redeemable.

Section 9. Amendment. The Certificate of Incorporation of the Corporation shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series A Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least two thirds of the outstanding shares of Series A Preferred Stock, voting together as a single class.

-4-

7

IN WITNESS WHEREOF, this Certificate of Designations is executed on

behalf of the Corporation by its Executive Vice President and attested by its Secretary as of this 23rd day of January, 1995.

U.S. ROBOTICS HOLDING CORPORATION,
a Delaware corporation

By: /s/ Jonathan N. Zakin

Name: Jonathan N. Zakin
Title: Executive Vice President

ATTEST:

/s/ George A. Vinyard

Name: George A. Vinyard
Title: Secretary

-5-

8

CERTIFICATE OF AMENDMENT

TO

CERTIFICATE OF INCORPORATION

OF

U.S. ROBOTICS HOLDING CORPORATION

Adopted in accordance with the
provisions of Section 242 of the General Corporation Law of the
State of Delaware

The undersigned, U.S. ROBOTICS HOLDING CORPORATION, a Delaware

corporation, does hereby certify as follows:

FIRST: That the name of the corporation is U.S. ROBOTICS HOLDING CORPORATION.

SECOND: That Article 1 of the Certificate of Incorporation of the Corporation has been amended to read as follows: The name of the Corporation is U.S. ROBOTICS CORPORATION.

THIRD: That such amendment has been duly adopted in accordance with the provisions of Section 242 and 228 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, U.S. ROBOTICS HOLDING CORPORATION has caused this Certificate of Amendment to be executed this 22nd day of February, 1995.

U.S. ROBOTICS HOLDING CORPORATION

By: /s/ George A. Vinyard

Its: Vice President and Secretary

9

CERTIFICATE OF AMENDMENT
TO
CERTIFICATE OF INCORPORATION
OF
U.S. ROBOTICS CORPORATION

Adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware

The undersigned, U.S. ROBOTICS CORPORATION, a Delaware corporation, does hereby certify as follows:

FIRST: That the name of the Corporation is U.S. ROBOTICS CORPORATION.

SECOND: That Article 4 of the Certificate of Incorporation of the Corporation has been amended in its entirety to read as follows:

4. Capitalization. The total number of shares of stock which the Corporation shall have authority to issue is two hundred sixty million (260,000,000), of which two hundred fifty million (250,000,000) shares, of the par value of one cent (\$0.01) each,

shall be common stock and ten million (10,000,000) shares, of the par value of one cent (\$.01) each, shall be preferred stock; preferred stock (a) may be issued from time to time in one or more series with such distinctive serial designations; and (b) may have such voting powers, full or limited, or may be without voting powers; and (c) may be subject to redemption at such time or times and at such prices; and (d) may be entitled to receive dividends (which may be cumulative or noncumulative) at such rate or rates, on such conditions, and at such times, and payable in preference to, or in such relation to, the dividends payable on any other class or classes of stock; and (e) may have such rights upon the dissolution of, or upon any distribution of the assets of, the Corporation; and (f) may be made convertible into, or exchangeable for, shares of any other class or classes or of any other series of the same or any other class or classes of stock of the Corporation, at such price or prices or at such rates of exchange, and with such adjustments; and (g) may have such other relative, participating, optional or other special rights and qualifications, limitations or restrictions thereof, all as shall hereafter be stated and expressed in the resolution or resolutions providing for the issuance of such preferred stock from time to time adopted by the Board of Directors pursuant to the authority to do so which is hereby vested in the Board.

THIRD: That such amendment has been duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

10

IN WITNESS WHEREOF, U.S. ROBOTICS CORPORATION has caused this Certificate of Amendment to be executed this 7th day of March, 1995.

U.S. ROBOTICS CORPORATION

By: /s/ George A. Vinyard

George A. Vinyard,
Vice President and Secretary

11

CERTIFICATE OF DESIGNATION, PREFERENCES AND RIGHTS
OF SERIES B JUNIOR PARTICIPATING PREFERRED STOCK

of

U.S. ROBOTICS CORPORATION

Pursuant to Section 151 of the General Corporation Law of the State of Delaware:

We, Casey Cowell, Chairman, President and Chief Executive Officer, and George A. Vinyard, Secretary of U.S. Robotics Corporation, a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Corporation"), in accordance with the provisions of Section 103 thereof, DO HEREBY CERTIFY:

That pursuant to the authority conferred upon the Board of Directors by the Certificate of Incorporation, as amended, of the Corporation, the Board of Directors on May 9, 1996 adopted the following resolution creating a series of 2,500,000 shares of preferred stock designated as Series B Junior Participating Preferred Stock:

RESOLVED, that pursuant to the authority vested in the Board of Directors of the Corporation in accordance with the provisions of its Certificate of Incorporation, as amended, a series of preferred stock, par value \$.01 per share, of the Corporation (such preferred stock being herein referred to as "Preferred Stock," which term shall include any additional shares of preferred stock of the same class heretofore or hereafter authorized to be issued by the Corporation), consisting of 2,500,000 shares is hereby created, and the voting powers, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, are as follows:

S1. Designation and Amount. There shall be a series of Preferred Stock of the Corporation which shall be designated as "Series B Junior Participating Preferred Stock," par value \$.01 per share (hereinafter called "Series B Preferred Stock"), and the number of shares constituting such series shall be 2,500,000. Such number of shares may be increased or decreased by resolution of the Board of Directors and by the filing of a certificate pursuant to the provisions of the General Corporation Law of the State of Delaware stating that such increase or reduction has been so authorized; provided, however, that no decrease shall reduce the number of shares of Series B Preferred Stock to a number less than that of the shares then outstanding plus the number of shares of Series B Preferred Stock issuable upon exercise of outstanding rights, options or warrants or upon conversion of outstanding securities issued by the Corporation.

-1-

12

S2. Dividends and Distributions.

(A) Subject to the prior and superior rights of the holders of any shares of any series of Preferred Stock ranking prior and superior to the shares of Series B Preferred Stock with respect to dividends, the holders of shares of Series B Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash to holders of record on the last business day of March, June, September and December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series B Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) \$1.00 or (b) subject to the provision for adjustment hereinafter set forth, 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in shares of Common Stock (hereinafter defined) or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock, par value \$.01 per share, of the Corporation (the "Common Stock") since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series B Preferred Stock. In the event the Corporation shall at any time following May 31, 1996 (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount to which holders of shares of Series B Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying each such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation shall declare a dividend or distribution on the Series B Preferred Stock as provided in paragraph (A) above at the time it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock).

(C) No dividend or distribution (other than a dividend payable in shares of Common Stock) shall be paid or payable to the holders of shares of Common Stock unless, prior thereto, all accrued but unpaid dividends to the date of such dividend or distribution shall have been paid to the holders of shares of Series B Preferred Stock.

-2-

(D) Dividends shall begin to accrue and be cumulative on outstanding shares of Series B Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Series B Preferred Stock,

unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series B Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series B Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series B Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be no more than 30 days prior to the date fixed for the payment thereof.

S3. Voting Rights. The holders of shares of Series B Preferred Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each one one-hundredth of a share of Series B Preferred Stock shall entitle the holder thereof to one vote on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall at any time following May 31, 1996 (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding shares of Common Stock or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the number of votes per share to which holders of shares of Series B Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein or by law, the holders of shares of Series B Preferred Stock and the holders of shares of Common Stock and any other capital stock of the Corporation having general voting rights shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(C) (i) Whenever, at any time or times, dividends payable on any share or shares of Series B Preferred Stock shall be in arrears in an amount equal to at least six full quarterly dividends (whether or not declared and whether or not consecutive), the holders of record of the outstanding Preferred Stock shall have the exclusive right, voting separately as a single class, to elect two directors of the Corporation at a special meeting of stockholders of the Corporation or at the Corporation's next annual meeting of stockholders, and at each subsequent annual meeting of stockholders, as provided below. At elections for such directors, the holders of shares of Series B Preferred Stock shall be entitled to cast one vote for each one one-hundredth of a share of Series B Preferred Stock

held.

(i) Upon the vesting of such right of the holders of the Preferred Stock, the maximum authorized number of members of the Board of Directors shall automatically be increased by two and the two vacancies so created shall be filled by vote of the holders of the outstanding Preferred Stock as hereinafter

-3-

14

set forth. A special meeting of the stockholders of the Corporation then entitled to vote shall be called by the Chairman or the President or the Secretary of the Corporation, if requested in writing by the holders of record of not less than 10% of the Preferred Stock then outstanding. At such special meeting, or, if no such special meeting shall have been called, then at the next annual meeting of stockholders of the Corporation, the holders of the shares of the Preferred Stock shall elect, voting as above provided, two directors of the Corporation to fill the aforesaid vacancies created by the automatic increase in the number of members of the Board of Directors. At any and all such meetings for such election, the holders of a majority of the outstanding shares of the Preferred Stock shall be necessary to constitute a quorum for such election, whether present in person or by proxy, and such two directors shall be elected by the vote of at least a plurality of shares held by such stockholders present or represented at the meeting. Any director elected by holders of shares of the Preferred Stock pursuant to this Section may be removed at any annual or special meeting, by vote of a majority of the stockholders voting as a class who elected such director, with or without cause. In case any vacancy shall occur among the directors elected by the holders of the Preferred Stock pursuant to this Section, such vacancy may be filled by the remaining director so elected, or his successor then in office, and the director so elected to fill such vacancy shall serve until the next meeting of stockholders for the election of directors. After the holders of the Preferred Stock shall have exercised their right to elect Directors in any default period and during the continuance of such period, the number of Directors shall not be further increased or decreased except by vote of the holders of Preferred Stock as herein provided or pursuant to the rights of any equity securities ranking senior to or pari passu with the Series B Preferred Stock.

(ii) The right of the holders of the Preferred Stock, voting separately as a class, to elect two members of the Board of Directors of the Corporation as aforesaid shall continue until, and only until, such time as all arrears in dividends (whether or not declared) on the Preferred Stock shall have been paid or declared and set apart for payment, at which time such right shall terminate, except as herein or by

law expressly provided, subject to revesting in the event of each and every subsequent default of the character above-mentioned. Upon any termination of the right of the holders of the shares of the Preferred Stock as a class to vote for directors as herein provided, the term of office of all directors then in office elected by the holders of Preferred Stock pursuant to this Section shall terminate immediately. Whenever the term of office of the directors elected by the holders of the Preferred Stock pursuant to this Section shall terminate and the special voting powers vested in the holders of the Preferred Stock pursuant to this Section shall have expired, the maximum number of members of the Board of Directors of the Corporation shall be such number as may be provided for in the By-laws of the Corporation irrespective of any increase made pursuant to the provisions of this Section.

(D) Except as set forth herein, holders of Series B Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

S4. Certain Restrictions.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series B Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared,

-4-

15

on shares of Series B Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series B Preferred Stock;

(ii) declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series B Preferred Stock, except dividends paid ratably on the Series B Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series B Preferred Stock, provided that the Corporation may at any time redeem, purchase or

otherwise acquire shares of any such parity stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series B Preferred Stock; or

(iv) purchase or otherwise acquire for consideration any shares of Series B Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (A) of this Section, purchase or otherwise acquire such shares at such time and in such manner.

S5. Reacquired Shares. Any shares of Series B Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the Board of Directors, subject to the conditions and restrictions on issuance set forth herein.

S6. Liquidation, Dissolution or Winding Up. (A) Upon any voluntary liquidation, dissolution or winding up of the Corporation, no distribution shall be made to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series B Preferred Stock unless, prior thereto, the holders of shares of Series B Preferred Stock shall have received \$1.00 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment (the "Series B Liquidation Preference"). Following the payment of the full amount of the Series B Liquidation Preference, no additional distributions shall be made to the holders of shares of Series B Preferred Stock unless, prior thereto, the holders of shares of Common Stock shall have received an amount per share (the "Common Adjustment") equal to the

quotient obtained by dividing (i) the Series B Liquidation Preference by (ii) 100 (as appropriately adjusted as set forth in subparagraph C below to reflect such events as stock splits, stock dividends and recapitalizations with respect to the Common Stock) (such number in clause (ii), the "Adjustment Number"). Following the payment of the full amount of the Series B Liquidation Preference

and the Common Adjustment in respect of all outstanding shares of Series B Preferred Stock and Common Stock, respectively, holders of Series B Preferred Stock and holders of shares of Common Stock shall receive their ratable and proportionate share of the remaining assets to be distributed in the ratio, on a per share basis, of the Adjustment Number to 1 with respect to such Preferred Stock and Common Stock, on a per share basis, respectively.

(A) In the event, however, that there are not sufficient assets available to permit payment in full of the Series B Liquidation Preference and the liquidation preferences of all other series of Preferred Stock, if any, which rank on a parity with the Series B Preferred Stock, then such remaining assets shall be distributed ratably to the holders of such parity shares in proportion to their respective liquidation preferences.

(B) In the event the Corporation shall at any time following May 31, 1996 (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding shares of Common Stock or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the Adjustment Number in effect immediately prior to such event shall be adjusted by multiplying such Adjustment Number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

S7. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case the shares of Series B Preferred Stock shall at the same time be similarly exchanged or changed in an amount per share (subject to the provision for adjustment hereinafter set forth) equal to 100 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series B Preferred Stock shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

S8. Redemption. The shares of a Series B Preferred Stock shall not be redeemable by the Corporation. The preceding sentence shall not limit the ability of the Corporation to purchase or otherwise deal in such shares of stock to the extent permitted by law.

S9. Ranking. The Series B Preferred Stock shall rank junior to all other series of the Corporation's preferred stock (whether with or without par value) as to the payment of dividends and the distribution of assets, unless the terms of any

such series shall provide otherwise.

17

S10. Amendment. The Certificate of Incorporation of the Corporation shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series B Preferred Stock so as to affect them adversely without the affirmative vote of the holders of a majority or more of the outstanding shares of Series B Preferred Stock, voting separately as a class.

S11. Fractional Shares. Series B Preferred Stock may be issued in fractions of a share which shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Series B Preferred Stock.

IN WITNESS WHEREOF, U.S. Robotics Corporation has caused its corporate seal to be hereunto affixed and this Certificate to be signed by Casey Cowell, its Chairman, President and Chief Executive Officer, and the same to be attested by George A. Vinyard, its Secretary, this 9th day of May, 1996.

U.S. ROBOTICS CORPORATION

By: /s/ Casey Cowell

Casey Cowell
Chairman, President and
Chief Executive Officer

(SEAL)

Attest:

By: /s/ George A. Vinyard

George A. Vinyard
Secretary

SECOND AMENDMENT TO THE
U.S. ROBOTICS CORPORATION
EMPLOYEE STOCK PURCHASE PLAN

The U.S. Robotics Corporation Employee Stock Purchase Plan (the "Plan") is hereby amended, effective October 1, 1995, as follows:

1. Section 3(b) of the Plan shall be amended to read as follows:

"An employee who is subject to Section 16 of the Securities Exchange Act of 1934 and is a highly compensated employee (within the meaning of Section 414(q) of the Code) shall not be eligible to participate in the Plan; and"

2. Section 6(a) of the Plan shall be amended to read as follows:

"A Participant shall pay for the shares of Common Stock authorized for in his Subscription Agreement by electing to authorize payroll deductions for the purchase price of said shares, to be made beginning the first pay period following the Subscription Date and ending the last pay period of the Subscription Period. Such payroll deduction shall be any percentage equal to a whole number equal to or less than ten (10) multiplied by one percent (1%) of the Compensation of the Participant (but not less than \$30.00 per biweekly payroll or \$15.00 per weekly payroll, whichever is applicable), or any specified even dollar amount, up to but not more than ten percent (10%) of his Compensation for the Subscription Period. In addition to the foregoing, if a Participant is employed by a subsidiary of the Company that has been formed under the laws of any foreign country, or if the Participant's employment is based in Canada, the Participant may, in lieu of the foregoing, elect to to make, on or before ten (10) days prior to the Price Date (as defined in subsection 6(b)), a lump sum payment for the purchase price of said shares, of not more than ten percent (10%) of the Participant's Compensation for the period between the next preceding Subscription Date and the Price Date."

3. The Plan shall be amended in its entirety, including in Section 6(b), 7, 8, 9, 11, 16, and 17 (but excluding Section 21 which permits a lump sum payment upon a Participant's death, which may continue to be made as provided therein), to clarify that any references therein to "lump sum payments" or "lump sum deposits" shall have the meaning necessary to effectuate the purposes of the amendment so Section 6(a) of the Plan as set forth above.

IN WITNESS WHEREOF, U.S. Robotics Corporation has caused this Amendment to be executed by its officer hereto duly authorized this 10th day of August, 1995.

U.S. ROBOTICS CORPORATION,
a Delaware corporation

By: /s/ Mark Remissong

Its: Vice President and Chief Financial Officer

THIRD AMENDMENT TO THE
U.S. ROBOTICS CORPORATION
EMPLOYEE STOCK PURCHASE PLAN

The U.S. Robotics Corporation Employee Stock Purchase Plan (the "Plan") is hereby amended, effective January 1, 1997, as follows:

1. Section 3(c) of the Plan shall be amended to read as follows:

"An employee shall be eligible to participate in the Plan:

(i) Who has been employed for three consecutive months;

(ii) Whose customary employment is more than 20 hours per week; or

(iii) Whose customary employment is for more than five months in any calendar year.

2. Any reference to "full" shares in the Plan shall be deemed to include fractional shares as well.

IN WITNESS WHEREOF, U.S. Robotics Corporation has caused this Amendment to be executed by its officer hereto duly authorized this 14th day of November, 1996.

U.S. ROBOTICS CORPORATION,
a Delaware corporation

By: /s/ Mark Remissong

Its: Vice President and Chief Financial Officer

U.S. \$300,000,000
MULTICURRENCY CREDIT AGREEMENT

DATED AS OF

SEPTEMBER 12, 1996

AMONG

U.S. ROBOTICS CORPORATION,

THE BANKS PARTY HERETO,

HARRIS TRUST AND SAVINGS BANK
as Agent

AND

THE FIRST NATIONAL BANK OF CHICAGO,

NATIONSBANK OF TEXAS, N.A.

AND

SOCIETE GENERALE,

as Co-Agents

TABLE OF CONTENTS

(This Table of Contents is not part of the Agreement)

<TABLE>
<CAPTION>

	PAGE
<S>	<C>
SECTION 1. THE REVOLVING CREDIT	1
Section 1.1. The Loan Commitment	1
Section 1.2. Letters of Credit	1
Section 1.3. Applicable Interest Rates	4
Section 1.4. Minimum Borrowing Amounts	6
Section 1.5. Manner of Borrowing Committed Loans and Designating Interest Rates Applicable to Committed Loans	6
Section 1.6. The Bid Loans	8
Section 1.7. Requests for Bid Loans	8
Section 1.8. Notice of Bids	9
Section 1.9. Acceptance or Rejection of Bids	9
Section 1.10. Notice of Acceptance or Rejection of Bids	10
Section 1.11. Interest on Bid Loans	11
Section 1.12. Interest Periods	11
Section 1.13. Maturity of Loans	12
Section 1.14. Prepayments	12
Section 1.15. Default Rate	13
Section 1.16. The Notes	13
Section 1.17. Funding Indemnity	14
Section 1.18. Commitment Terminations	14
Section 1.19. Increase in Revolving Credit Commitment	15
SECTION 2. FEES AND EXTENSIONS	15
Section 2.1. Fees	15
Section 2.2. Extension of Termination Date	16
SECTION 3. PLACE AND APPLICATION OF PAYMENTS	17
Section 3.1. Place and Application of Payments	17
SECTION 4. DEFINITIONS; INTERPRETATION	18
Section 4.1. Definitions	18
Section 4.2. Interpretation	28

SECTION 5.	REPRESENTATIONS AND WARRANTIES	28
Section 5.1.	Corporate Organization and Authority	28
Section 5.2.	Subsidiaries	29
Section 5.3.	Corporate Authority and Validity of Obligations	29
Section 5.4.	Financial Statements	29

</TABLE>

3

<TABLE>		
<S>		<C>
Section 5.5.	No Litigation; No Labor Controversies	30
Section 5.6.	Taxes	30
Section 5.7.	Approvals	30
Section 5.8.	ERISA	30
Section 5.9.	Government Regulation	30
Section 5.10.	Margin Stock	31
Section 5.11.	Licenses and Authorizations; Compliance with Laws	31
Section 5.12.	Ownership of Property; Liens	31
Section 5.13.	No Burdensome Restrictions; Compliance with Agreements	32
Section 5.14.	Full Disclosure	32

SECTION 6.	CONDITIONS PRECEDENT	32
------------	--------------------------------	----

Section 6.1.	Initial Credit Event	32
Section 6.2.	All Credit Events	33

SECTION 7.	COVENANTS	34
------------	---------------------	----

Section 7.1.	Corporate Existence; Subsidiaries	34
Section 7.2.	Maintenance	34
Section 7.3.	Taxes	34
Section 7.4.	ERISA	34
Section 7.5.	Insurance	35
Section 7.6.	Financial Reports and Other Information	35
Section 7.7.	Bank Inspection Rights	36
Section 7.8.	Conduct of Business	36
Section 7.9.	Liens	36
Section 7.10.	Use of Proceeds; Regulation U	38
Section 7.11.	Sales and Leasebacks	38
Section 7.12.	Mergers, Consolidations and Sales of Assets	38
Section 7.13.	Use of Property and Facilities; Environmental, Health and Safety Laws	39
Section 7.14.	Investments, Acquisitions, Loans, Advances and Guaranties	40
Section 7.15.	Consolidated Tangible Net Worth	41
Section 7.16.	Leverage Ratio	41
Section 7.17.	Total Debt to EBITDA	41
Section 7.18.	Dividends and Other Shareholder Distributions	41
Section 7.19.	Subsidiary Debt	41
Section 7.20.	Transactions with Affiliates	41
Section 7.21.	No Subsidiary Guaranties	41
Section 7.22.	Compliance with Laws	42

SECTION 8.	EVENTS OF DEFAULT AND REMEDIES	42
------------	--	----

Section 8.1.	Events of Default	42
Section 8.2.	Non-Bankruptcy Defaults	44
Section 8.3.	Bankruptcy Defaults	44

</TABLE>

4

<TABLE>		
<S>		<C>
Section 8.4.	Collateral for Undrawn Letters of Credit	44
Section 8.5.	Notice of Default	45
Section 8.6.	Expenses	45

SECTION 9.	CHANGE IN CIRCUMSTANCES	45
------------	-----------------------------------	----

Section 9.1.	Change of Law	45
Section 9.2.	Unavailability of Deposits or Inability to Ascertain, or Inadequacy of, LIBOR	46
Section 9.3.	Increased Cost and Reduced Return	46

Section 9.4.	Lending Offices	48
Section 9.5.	Discretion of Bank as to Manner of Funding	48
Section 9.6.	Substitution of Bank	48
SECTION 10.	THE AGENT	49
Section 10.1.	Appointment and Authorization of Agent	49
Section 10.2.	Agent and its Affiliates	49
Section 10.3.	Action by Agent	49
Section 10.4.	Consultation with Experts	49
Section 10.5.	Liability of Agent; Credit Decision	49
Section 10.6.	Indemnity	50
Section 10.7.	Payments	50
Section 10.8.	Resignation of Agent and Successor Agent	51
Section 10.9.	Co-Agents.	51
SECTION 11.	MISCELLANEOUS	51
Section 11.1.	Withholding Taxes	51
Section 11.2.	No Waiver of Rights	53
Section 11.3.	Non-Business Day	53
Section 11.4.	Documentary Taxes	53
Section 11.5.	Survival of Representations	53
Section 11.6.	Survival of Indemnities	53
Section 11.7.	Sharing of Set-Off	53
Section 11.8.	Notices	54
Section 11.9.	Counterparts	55
Section 11.10.	Successors and Assigns	55
Section 11.11.	Participants	55
Section 11.12.	Assignment of Commitments by Banks	55
Section 11.13.	Amendments	56
Section 11.14.	Headings	56
Section 11.15.	Legal Fees, Other Costs and Indemnification	56
Section 11.16.	Set Off	57
Section 11.17.	Currency	57
Section 11.18.	Entire Agreement	58
Section 11.19.	Governing Law	58

</TABLE>

-iii-

5

<TABLE>		
<S>	<C>	<C>
Section 11.20.	Submission to Jurisdiction; Waiver of Jury Trial	58

EXHIBITS

- A - Form of Notice of Payment Request
- B - Form of Committed Note
- C - Form of Bid Note
- D - Bid Loan Request Confirmation
- E - Invitation to Bid
- F - Confirmation of Bid
- G - Notice of Acceptance of Bid
- H - Form of Compliance Certificate
- I - Form of Legal Opinion of Counsel to the Borrower
- J - Commitment Amount Increase Request

SCHEDULE 5.1	Schedule of Borrower Liabilities
SCHEDULE 5.2	Schedule of Existing Subsidiaries
SCHEDULE 5.12	Schedule of Real Property
SCHEDULE 7.9	Schedule of Existing Liens
SCHEDULE 7.14	Schedule of Permitted Liquid Investments

</TABLE>

-iv-

6

MULTICURRENCY CREDIT AGREEMENT

To each of the Banks signatory hereto

Ladies and Gentlemen:

The undersigned, U.S. Robotics Corporation, a Delaware corporation (the "Borrower"), applies to you for your several commitments, subject to all the terms and conditions hereof and on the basis of the representations and warranties hereinafter set forth, to make available a revolving credit for loans and letters of credit (the "Revolving Credit"), as described herein. Each of you is hereinafter referred to individually as a "Bank," all of you are hereinafter referred to collectively as the "Banks," Harris Trust and Savings Bank in its capacity as agent for the Banks hereunder is hereinafter referred to as the "Agent" and The First National Bank of Chicago, NationsBank of Texas, N.A. and Societe Generale in their respective capacities as co-agents hereunder are hereinafter referred to as the "Co-Agents."

SECTION 1. THE REVOLVING CREDIT.

Section 1.1. The Loan Commitment. Subject to the terms and conditions hereof, each Bank, by its acceptance hereof, severally agrees to make a loan or loans (individually a "Committed Loan" and collectively "Committed Loans") to the Borrower from time to time on a revolving basis in U.S. Dollars and Alternative Currencies in an aggregate outstanding Original Dollar Amount up to the amount of its revolving credit commitment set forth on the applicable signature page hereof as such amount may be increased or decreased pursuant to the terms hereof (its "Revolving Credit Commitment" and, cumulatively for all the Banks, the "Revolving Credit Commitments"), before the Termination Date. The sum of the aggregate Original Dollar Amount of Loans and of L/C Obligations at any time outstanding shall not exceed the Revolving Credit Commitments in effect at such time. Each Borrowing of Committed Loans shall be made ratably from the Banks in proportion to their respective Percentages. As provided in Section 1.5(a) hereof, the Borrower may elect that each Borrowing of Committed Loans denominated in U.S. Dollars be either Domestic Rate Loans or Eurocurrency Loans. All Committed Loans denominated in an Alternative Currency shall be Eurocurrency Loans. Committed Loans may be repaid and the principal amount thereof reborrowed before the Termination Date, subject to all the terms and conditions hereof.

Section 1.2. Letters of Credit. (a) General Terms. Subject to the terms and conditions hereof, as part of the Revolving Credit the Agent shall issue standby or commercial letters of credit (each a "Letter of Credit") for the Borrower's account in U.S. Dollars in an aggregate undrawn face amount up to the amount of the L/C Commitment, provided that the aggregate L/C Obligations at any time outstanding shall not exceed the

7

difference between the Revolving Credit Commitments in effect at such time and the aggregate Original Dollar Amount of Loans then outstanding. Each Letter of Credit shall be issued by the Agent, but each Bank shall be obligated to reimburse the Agent for its Percentage of the amount of each drawing thereunder and, accordingly, the undrawn face amount of each Letter of Credit shall constitute usage of the Revolving Credit Commitment of each Bank pro rata in accordance with each Bank's Percentage.

(b) Applications. At any time before the Termination Date, the Agent shall, at the request of the Borrower, issue one or more Letters of Credit, in a form satisfactory to the Agent, with expiration dates no later than the Termination Date, in an aggregate face amount as set forth above, upon the receipt of a duly executed application for the relevant Letter of Credit in the form customarily prescribed by the Agent for the type of Letter of Credit, whether standby or commercial, requested (each an "Application"). Notwithstanding anything contained in any Application to the contrary (i) the Borrower shall pay fees in connection with each Letter of Credit as set forth in Section 2.1(b) hereof, (ii) before the occurrence of an Event of Default, the Agent will not call for the funding by the Borrower of any amount under a Letter of Credit, or any other form of collateral security for the Borrower's obligations in connection with such Letter of Credit, before being presented with a drawing thereunder, and (iii) if the Agent is not timely reimbursed for the amount of any drawing under a Letter of Credit on the date such drawing is paid, the Borrower's obligation to reimburse the Agent for the amount of such drawing shall bear interest (which the Borrower hereby promises to pay) from and after the date such drawing is paid at a rate per annum equal to the sum of 2% plus the Domestic Rate from time to time in effect. If the Agent issues any Letters of Credit with expiration dates that are automatically extended unless the Agent gives notice that the expiration date will not so extend beyond its then scheduled expiration date, the Agent will give such notice of non-extension before the time necessary to prevent such automatic extension if before such required notice date (i) the expiration date of such Letter of Credit if so extended would be after the Termination Date, (ii) the Commitments have been terminated or (iii) an Event of Default exists and the Required Banks have given the Agent instructions not to so permit the extension of the expiration date of such Letter of Credit. The Agent agrees to issue amendments to the Letter(s) of Credit increasing the amount, or extending the expiration date, thereof at the request of the Borrower subject to the conditions of Section 6.2 and the other terms of this Section 1.2.

(c) The Reimbursement Obligations. Subject to Section 1.2(b) hereof, the obligation of the Borrower to reimburse the Agent for all drawings under a Letter of Credit (a "Reimbursement Obligation") shall be governed by the Application related to such Letter of Credit, except that reimbursement shall be made by no later than 12:00 noon (Chicago time) on the date when each drawing is paid in immediately available funds at the Agent's principal office in Chicago, Illinois. If the Borrower does not make any such reimbursement payment on the date due and the Participating Banks fund their participations therein in the manner set forth in Section 1.2(d) below, then all payments thereafter received by the Agent in discharge of any of the relevant Reimbursement Obligations shall be distributed in accordance with Section 1.2(d) below.

-2-

8

(d) The Participating Interests. Each Bank (other than the Bank then acting as Agent in issuing Letters of Credit), by its acceptance hereof, severally agrees to purchase from the Agent, and the Agent hereby agrees to sell to each such Bank (a "Participating Bank"), an undivided percentage participating interest (a "Participating Interest"), to the extent of its Percentage, in each Letter of Credit when issued by, and each Reimbursement Obligation owed to, the Agent. Upon any failure by the Borrower to pay any Reimbursement Obligation at the time required on the date the related drawing is paid, as set forth in Section 1.2(c) above, or if the Agent is required at any time to return to the Borrower or to a trustee, receiver, liquidator, custodian or other Person any portion of any payment of any Reimbursement Obligation, each Participating Bank shall, not later than the Business Day it receives a certificate in the form of Exhibit A hereto from the Agent to such effect, if such certificate is received before 1:00 p.m. (Chicago time), or not later than the following Business Day, if such certificate is received after such time, pay to the Agent an amount equal to its Percentage of such unpaid or recaptured Reimbursement Obligation together with interest on such amount accrued from the date the related payment was made by the Agent to the date of such payment by such Participating Bank at a rate per annum equal to (i) from the date the related payment was made by the Agent to the date two (2) Business Days after payment by such Participating Bank is due hereunder, the Federal Funds Rate for each such day and (ii) from the date two (2) Business Days after the date such payment is due from such Participating Bank to the date such payment is made by such Participating Bank, the Domestic Rate in effect for each such day. Each such Participating Bank shall thereafter be entitled to receive its Percentage of each payment received in respect of the relevant Reimbursement Obligation and of interest paid thereon, with the Agent retaining its Percentage as a Bank hereunder.

The several obligations of the Participating Banks to the Agent under this Section 1.2 shall be absolute, irrevocable and unconditional under any and all circumstances whatsoever (except, without limiting the Borrower's obligations under each Application, to the extent the Borrower is relieved from its obligation to reimburse the Agent for a drawing under a Letter of Credit because of the Agent's gross negligence or willful misconduct in determining that documents received under the Letter of Credit comply with the terms thereof) and shall not be subject to any set-off, counterclaim or defense to payment which any Participating Bank may have or have had against the Borrower, the Agent, any other Bank or any other Person whatsoever. Without limiting the generality of the foregoing, such obligations shall not be affected by any Default or Event of Default or by any subsequent reduction or termination of any Commitment of any Bank, and each payment by a Participating Bank under this Section 1.2 shall be made without any offset, abatement, withholding or reduction whatsoever. The Agent shall be entitled to offset amounts received for the account of a Bank under this Agreement against unpaid amounts due from such Bank to the Agent hereunder (whether as fundings of participations, indemnities or otherwise), but shall not be entitled to offset against amounts owed to the Agent by any Bank arising outside this Agreement.

(e) Indemnification. The Participating Banks shall, to the extent of their respective Percentages, indemnify the Agent (to the extent not reimbursed by the Borrower) against any cost, expense (including reasonable counsel fees and disbursements), claim, demand,

-3-

9

action, loss or liability (except such as result from the Agent's gross

negligence or willful misconduct) that the Agent may suffer or incur in connection with any Letter of Credit. The obligations of the Participating Banks under this Section 1.2(e) and all other parts of this Section 1.2 shall survive termination of this Agreement and of all other L/C Documents.

Section 1.3. Applicable Interest Rates. (a) Domestic Rate Loans. Each Domestic Rate Loan made or maintained by a Bank shall bear interest during each Interest Period it is outstanding (computed on the basis of a year of 365 or 366 days, as applicable, and actual days elapsed) on the unpaid principal amount thereof from the date such Loan is advanced, continued or created by conversion from a Eurocurrency Loan to but not including the last day of such Interest Period or, if earlier its maturity date (whether by acceleration or otherwise) at a rate per annum equal to the Domestic Rate from time to time in effect, payable on the last day of the applicable Interest Period and at maturity (whether by acceleration or otherwise).

"Domestic Rate" means for any day the greater of:

(i) the rate of interest announced by the Agent from time to time as its prime commercial rate, or equivalent, as in effect on such day, with any change in the Domestic Rate resulting from a change in said prime commercial rate to be effective as of the date of the relevant change in said prime commercial rate; and

(ii) the sum of (x) the rate determined by the Agent to be the prevailing rate per annum (rounded upwards, if necessary, to the nearest one hundred-thousandth of a percentage point) at approximately 10:00 a.m. (Chicago time) (or as soon thereafter as is practicable) on such day (or, if such day is not a Business Day, on the immediately preceding Business Day) for the purchase at face value of overnight Federal funds in an amount comparable to the principal amount owed to the Agent for which such rate is being determined, plus (y) 1/2 of 1% (0.50%).

(b) Eurocurrency Loans. Each Eurocurrency Loan made or maintained by a Bank shall bear interest during each Interest Period it is outstanding (computed on the basis of a year of 360 days and actual days elapsed) on the unpaid principal amount thereof from the date such Loan is advanced, continued, or created by conversion from a Domestic Rate Loan to but not including the last day of such Interest Period or, if earlier its maturity date (whether by acceleration or otherwise) at a rate per annum equal to the sum of the Eurocurrency Margin plus the Adjusted LIBOR applicable for such Interest Period, payable on the last day of the Interest Period and at maturity (whether by acceleration or otherwise), and, if the applicable Interest Period is longer than three months, on each day occurring every three months after the commencement of such Interest Period.

"Adjusted LIBOR" means, for any Borrowing of Eurocurrency Loans, a percentage determined in accordance with the following formula:

$$\text{Adjusted LIBOR} = \frac{\text{LIBOR}}{1 - \text{Eurocurrency Reserve Percentage}}$$

-4-

10

"LIBOR" means, for an Interest Period for a Borrowing of Eurocurrency Loans, the arithmetic average of the rates of interest per annum (rounded upwards, if necessary, to the nearest one hundred-thousandth of a percentage point) at which deposits in U.S. Dollars or the relevant Alternative Currency, as appropriate, in immediately available funds are offered by each of the Reference Banks at 11:00 a.m. (London, England time) two (2) Business Days before the beginning of such Interest Period to major banks in the interbank eurocurrency market for delivery on the first day of and for a period equal to such Interest Period in an amount equal or comparable to the principal amount of the Eurocurrency Loan scheduled to be made by, in the case of Committed Eurocurrency Loans, such Reference Bank as part of such Borrowing or in the case of the Bid Eurocurrency Loans, each Bank scheduled to make such Bid Loan.

"Eurocurrency Reserve Percentage" means, for any Borrowing of Eurocurrency Loans, the daily average for the applicable Interest Period of the maximum rate, expressed as a decimal, at which reserves (including, without limitation, any supplemental, marginal and emergency reserves) are imposed during such Interest Period by the Board of Governors of the Federal Reserve System (or any successor) on "eurocurrency liabilities", as defined in such Board's Regulation D (or in respect of any other category of liabilities that includes deposits by reference to which the interest rate on Eurocurrency Loans is determined or any category of extensions of credit or other assets that

include loans by non-United States offices of any Bank to United States residents), subject to any amendments of such reserve requirement by such Board or its successor, taking into account any transitional adjustments thereto. For purposes of this definition, the Eurocurrency Loans shall be deemed to be "eurocurrency liabilities" as defined in Regulation D without benefit or credit for any prorations, exemptions or offsets under Regulation D.

"Eurocurrency Margin" means (a) for each Eurocurrency Bid Loan the percentage agreed to pursuant to Section 1.9 hereof and (b) for each Committed Eurocurrency Loan 0.225% per annum until the first Pricing Date and thereafter from one Pricing Date to the next a percentage determined in accordance with the following schedule:

<TABLE>
<CAPTION>

Level: ----- <S>	Eurocurrency Margin: ----- <C>
Level I	0.165%
Level II	0.225%
Level III	0.250%
Level IV	0.325%
Level V	0.500%

</TABLE>

(c) Rate Determinations. The Agent shall determine each interest rate applicable to Obligations and the Original Dollar Amount of Loans denominated in Alternative Currencies, and its determination thereof shall be conclusive and binding except in the case of manifest error or willful misconduct. The Original Dollar Amount of each Eurocurrency Loan denominated in an Alternative Currency shall be determined or redetermined, as applicable, effective as of the first day of each Interest Period applicable to such Loan.

-5-

11

Section 1.4. Minimum Borrowing Amounts. Each Borrowing of Domestic Rate Loans shall be in an amount not less than \$5,000,000 and in integral multiples of \$1,000,000. Each Committed Borrowing of Eurocurrency Loans shall be in an amount not less than an Original Dollar Amount of \$10,000,000 and in integral multiples of 1,000,000 units of the relevant currency.

Section 1.5. Manner of Borrowing Committed Loans and Designating Interest Rates Applicable to Committed Loans.

(a) Notice to the Agent. The Borrower shall give notice to the Agent by no later than 10:00 a.m. (Chicago time) (i) at least three (3) Business Days before the date on which the Borrower requests the Banks to advance a Committed Borrowing of Eurocurrency Loans and (ii) on the date the Borrower requests the Banks to advance a Committed Borrowing of Domestic Rate Loans. The Loans included in each Committed Borrowing shall bear interest initially at the rate for the type of the Committed Loan specified in such notice of a new Committed Borrowing. Thereafter, the Borrower may from time to time elect to change or continue the type of interest rate borne by each Committed Borrowing or, subject to Section 1.4's minimum amount requirement for each outstanding Committed Borrowing, a portion thereof, as follows: (i) if such Committed Borrowing is of Eurocurrency Loans, on the last day of the Interest Period applicable thereto, the Borrower may continue part or all of such Committed Borrowing as Eurocurrency Loans for an Interest Period or Interest Periods specified by the Borrower or, if such Eurocurrency Loan is denominated in U.S. Dollars, convert part or all of such Committed Borrowing into Domestic Rate Loans, (ii) if such Committed Borrowing is of Domestic Rate Loans, on any Business Day, the Borrower may convert all or part of such Committed Borrowing into Eurocurrency Loans denominated in U.S. Dollars for an Interest Period or Interest Periods specified by the Borrower. The Borrower shall give all such notices requesting the advance, continuation, or conversion of a Committed Borrowing to the Agent by telephone or telecopy (which notice shall be irrevocable once given and, if by telephone, shall be promptly confirmed in writing). Notices of the continuation of a Committed Borrowing of Eurocurrency Loans denominated in U.S. Dollars for an additional Interest Period or of the conversion of part or all of a Committed Borrowing of Eurocurrency Loans denominated in U.S. Dollars into Domestic Rate Loans or of Domestic Rate Loans into Eurocurrency Loans must be given by no later than 10:00 a.m. (Chicago time) at least three (3) Business Days before the date of the requested continuation or conversion. Notices of the continuation of a Committed Borrowing of Eurocurrency Loans denominated in an Alternative

Currency must be given no later than 10:00 a.m. (Chicago time) at least three (3) Business Days before the requested continuation. All such notices concerning the advance, continuation, or conversion of a Committed Borrowing shall specify the date of the requested advance, continuation or conversion of a Committed Borrowing (which shall be a Business Day), the amount of the requested Committed Borrowing to be advanced, continued, or converted, the type of Loans to comprise such new, continued or converted Committed Borrowing and, if such Committed Borrowing is to be comprised of Eurocurrency Loans, the currency and Interest Period applicable thereto. The Borrower agrees that the Agent may rely on any such telephonic or telecopy notice given by any person it in good faith believes is an Authorized Representative without the necessity of independent investigation, and in the

-6-

12

event any such notice by telephone conflicts with any written confirmation, such telephonic notice shall govern if the Agent has acted in reliance thereon.

(b) Notice to the Banks. The Agent shall give prompt telephonic or telecopy notice to each Bank of any notice from the Borrower received pursuant to Section 1.5.(a) above. The Agent shall give notice to the Borrower and each Bank by like means of the interest rate applicable to each Committed Borrowing of Eurocurrency Loans and, if such Committed Borrowing is denominated in an Alternative Currency, shall give notice by such means to the Borrower and each Bank of the Original Dollar Amount thereof.

(c) Borrower's Failure to Notify. Any outstanding Committed Borrowing of Domestic Rate Loans shall, subject to Section 6.2 hereof, automatically be continued for an additional Interest Period on the last day of its then current Interest Period unless the Borrower has notified the Agent within the period required by Section 1.5(a) that it intends to convert such Committed Borrowing into a Committed Borrowing of Eurocurrency Loans or notifies the Agent within the period required by Section 1.14(a) that it intends to prepay such Committed Borrowing. If the Borrower fails to give notice pursuant to Section 1.5(a) above of the continuation or conversion of any outstanding principal amount of a Committed Borrowing of Eurocurrency Loans denominated in U.S. Dollars before the last day of its then current Interest Period within the period required by Section 1.5(a) and has not notified the Agent within the period required by Section 1.14(a) that it intends to prepay such Committed Borrowing, such Committed Borrowing shall automatically be converted into a Committed Borrowing of Domestic Rate Loans, subject to Section 6.2 hereof. If the Borrower fails to give notice pursuant to Section 1.5(a) above of the continuation of any outstanding principal amount of a Committed Borrowing of Eurocurrency Loans denominated in an Alternative Currency before the last day of its then current Interest Period within the period required by Section 1.5(a) and has not notified the Agent within the period required by Section 1.14(a) that it intends to prepay such Committed Borrowing, such Borrowing shall automatically be continued as a Committed Borrowing of Eurocurrency Loans in the same Alternative Currency with an Interest Period of one month, subject to Section 6.2 hereof, including the application of Section 1.4 and of the restrictions contained in the definition of Interest Period.

(d) Disbursement of Committed Loans. Not later than 11:00 a.m. (Chicago time) on the date of any requested advance of a new Committed Borrowing of Eurocurrency Loans, and not later than 12:00 noon (Chicago time) on the date of any requested advance of a new Committed Borrowing of Domestic Rate Loans, subject to Section 6 hereof, each Bank shall make available its Loan comprising part of such Committed Borrowing in funds immediately available at the principal office of the Agent in Chicago, Illinois, except that if such Committed Borrowing is denominated in an Alternative Currency each Bank shall, subject to Section 6, make available its Loan comprising part of such Committed Borrowing at such office as the Agent has previously specified in a notice to each Bank, in such funds as are then customary for the settlement of international transactions in such currency and no later than such local time as is necessary for such funds to be received and transferred to the Borrower for same day value on the date of the Borrowing. The Agent shall make available to the Borrower Loans denominated in U.S. Dollars at the Agent's principal office in

-7-

13

Chicago, Illinois and Loans denominated in Alternative Currencies at such office as the Agent has previously agreed to with the Borrower, in each case in

the type of funds received by the Agent from the Banks.

Section 1.6. The Bid Loans. The Borrower may request the Banks to offer to make uncommitted loans (each such loan being hereinafter referred to as a "Bid Loan" and collectively as the "Bid Loans") in the manner set forth in this Section 1 and in amounts such that the aggregate Original Dollar Amount of all Committed Loans, Bid Loans and L/C Obligations at any time outstanding shall not exceed the Revolving Credit Commitments then in effect. The Banks may, but shall have no obligation to, make such offers and the Borrower may, but shall have no obligation to, accept any such offers in the manner set forth herein. Each Bank may offer to make Bid Loans in any amount (whether greater than, equal to, or less than its Revolving Credit Commitment), subject to the limitation that the aggregate Original Dollar Amount of all outstanding Loans and L/C Obligations may not at any time exceed the Revolving Credit Commitments then in effect and subject to the other conditions of this Agreement. Bid Loans may either bear interest at a stated rate per annum ("Stated Rate Bid Loans") or at a margin above or below the applicable Adjusted LIBOR ("Eurocurrency Bid Loans"); provided that there may be no more than ten different Interest Periods for both Stated Rate Bid Loans and Eurocurrency Bid Loans outstanding at the same time.

Section 1.7. Requests for Bid Loans.

(a) Requests and Confirmations. In order to request a Borrowing of Bid Loans (a "Bid Loan Request") the Borrower shall give telephonic, telex or telecopy notice to the Agent by no later than 10:00 A.M. (Chicago time) (i) on the date at least five Business Days before the date of the requested Bid Borrowing (the "Borrowing Date") in the case of a request for Eurocurrency Bid Loans or for both Eurocurrency Bid Loans and Stated Rate Bid Loans and (ii) on the date at least one Business Day before the Borrowing Date in the case of a request solely for Stated Rate Bid Loans. Each such request may be for up to three maturities and shall be followed on the same day by a duly completed bid loan request confirmation (each a "Bid Loan Request Confirmation"), delivered by telecopier or other means of facsimile communication, substantially in the form of Exhibit D hereto or otherwise containing the information required by this Section, to be received by the Agent no later than 10:30 A.M. (Chicago time). Bid Loan Request Confirmations that do not conform substantially to the format of Exhibit D may be rejected by the Agent, and the Agent shall give telecopy notice to the Borrower of such rejection promptly after it determines (which determination shall be conclusive) that the Bid Loan Request Confirmation does not substantially conform to the format of Exhibit D. Requests for Bid Loans shall in each case refer to this Agreement and specify (i) the proposed Borrowing Date (which must be a Business Day), (ii) the currency of each Bid Loan (which shall be either U.S. Dollars or an Alternative Currency), (iii) the aggregate principal amount thereof (which shall not be less than an Original Dollar Amount of \$5,000,000 and shall be in integral multiples of 1,000,000 units of the relevant currency) and (iv) the proposed maturity date thereof, which in the case of Stated Rate Bid Loans shall be 1 to 180 days after the Borrowing Date and in the case of Eurocurrency Bid Loans shall be 1, 2, 3, 4, 5 or 6

-8-

14
months after the proposed Borrowing Date, but with no maturity to extend beyond the Termination Date.

(b) Invitation to Bid. Upon receipt by the Agent of a Bid Loan Request Confirmation that conforms substantially to the format of Exhibit D hereto or is otherwise acceptable to the Agent, the Agent shall, by telecopy in the form of Exhibit E hereto, invite each Bank to bid, on the terms and conditions of this Agreement, to make Bid Loans pursuant to the Bid Loan Request.

(c) Bids. Each Bank may, in its sole discretion, offer to make a Bid Loan or Loans (a "Bid") to the Borrower responsive to the Bid Loan Request. Each Bid by a Bank must be received by the Agent in the form of Exhibit F delivered by telecopier not later than (i) 9:00 A.M. (Chicago time) on the proposed Borrowing Date in the case of a bid for a Stated Rate Bid Loan and (ii) 1:00 P.M. (Chicago time) four Business Days prior to the proposed Borrowing Date in the case of a bid for a Eurocurrency Bid Loan; provided, however, that any Bid made by the Agent must be made by telecopy to the Borrower by no later than fifteen minutes prior to the time that bids from the other Banks are required to be received. Each Bid and each Confirmation of Bid shall refer to this Agreement and specify (i) the principal amount of each Bid Loan that the Bank is willing to make to the Borrower and the type of Bid Loan (i.e., Stated Rate or Eurocurrency), (ii) the interest rate (which shall be computed on the basis of a 360-day year and actual days elapsed and, in the case of a Eurocurrency Bid Loan, shall be expressed in terms of a percentage

margin to be added to or subtracted from the applicable LIBOR for the Interest Period to be applicable to such Eurocurrency Bid Loan) at which the Bank is prepared to make each Bid Loan, (iii) the currency of such Bid Loan (which shall be denominated in either U.S. Dollars or an Alternative Currency) and (iv) the Interest Period applicable thereto. The Agent shall reject any Bid if such Bid (i) does not specify all of the information specified in the immediately preceding sentence, (ii) contains any qualifying, conditional, or similar language, (iii) proposes terms other than or in addition to those set forth in the Bid Loan Request to which it responds, or (iv) is received by the Agent later than the time required for such Bid Loan. Any Bid submitted by a Bank pursuant to this Section 1.7 shall be irrevocable. Each offer contained in a Bid to make a Bid Loan of a certain type in a certain amount, at a certain interest rate, and for a certain Interest Period is referred to herein as an "Offer".

Section 1.8. Notice of Bids; Advice of Rate. The Agent shall give telecopy notice to the Borrower of the number of Bids made, the interest rate(s) and Interest Period(s) applicable to each Bid, the maximum principal amount bid at each interest rate for each Interest Period, and the identity of the Bank making such Bid such notice to be given by (i) 9:30 A.M. (Chicago time) on the Borrowing Date in the case of Bid Loan Requests solely for Stated Rate Bid Loan or (ii) 3:00 P.M. four Business Days before the proposed Borrowing Date in the case of Bid Loan Requests for Eurocurrency Bid Loans or for both Stated Rate Bid Loans and Eurocurrency Bid Loans.

Section 1.9. Acceptance or Rejection of Bids. The Borrower may in its sole and absolute discretion, subject only to the provisions of this Section, irrevocably accept or reject, in whole or in part, any Offer contained in a Bid. The Borrower shall give telecopy

-9-

15

notice to the Agent of whether and to what extent it has decided to accept or reject any Offers contained in the Bids made in response to a Bid Loan Request to be received by the Agent by no later than 10:00 a.m. (Chicago time) (i) on the proposed Borrowing Date, in the case of Stated Rate Bid Loans or (ii) three Business Days before the proposed Borrowing Date, in the case of Eurocurrency Bid Loans; provided, however, that (A) the Borrower shall accept offers for any of the maturities specified by the Borrower in its Bid Loan Request Confirmation solely on the basis of ascending interest rates for each such Interest Period for a particular currency, (B) if the Borrower declines to borrow, or if it is restricted by any other condition hereof from borrowing, the maximum principal amount of Bid Loans for which Offers at a particular interest rate for a particular Interest Period have been made, then the Borrower shall accept a pro rata portion of each such Offer, based as nearly as possible on the ratio of the maximum aggregate principal amounts of Bid Loans for which each such Offer was made by each Bank (provided that, if the available principal amount of Bid Loans to be so allocated is not sufficient to enable Bid Loans to be so allocated to each relevant Bank in integral multiples of not less than an Original Dollar Amount of \$1,000,000, then the Agent may round allocations up or down in integral multiples of 100,000 units of the relevant currency as it shall deem appropriate), (C) the aggregate principal amount of all Offers accepted by the Borrower shall not exceed the maximum amount contained in the related Bid Loan Request Confirmation, and (D) subject to clause (B) above no Offer of a Bid Loan shall be accepted in a principal amount less than an Original Dollar Amount of \$5,000,000 and thereafter in integral multiples of 100,000 units of the relevant currency.

Section 1.10. Notice of Acceptance or Rejection of Bids.

(a) Notice to Banks Making Successful Bids. The Agent shall give telephonic notice to each Bank if any of the Offers contained in its Bid have been accepted (and if so, in what amount, in what currency, at what interest rate and for what Interest Period) no later than 10:30 A.M. (Chicago time) (i) on the proposed Borrowing date in the case of Stated Rate Bid Loans and (ii) three Business days before the proposed Borrowing Date in the case of Eurocurrency Bid Loans, and each successful bidder will thereupon become bound, subject to Section 6 and the other applicable conditions hereof, to make each Bid Loan in the amount for which its Offer has been accepted. As soon as practicable thereafter the Agent shall send written notice substantially in the form of Exhibit G hereto to each such successful bidder; provided, however, that failure to give such notice shall not affect the obligation of such successful bidder to disburse its Bid Loans as herein required.

(b) Notice to all Banks. As soon as practicable after each Borrowing Date for Bid Loans, the Agent shall notify each Bank (whether or not any of its Offers were accepted) of the aggregate amount and types of Bid Loans advanced pursuant to a Bid Loan Request on such Borrowing Date, the maturities

thereof, the currencies, and the lowest and highest interest rates at which Bid Loans were made for each maturity.

(c) Disbursement of Bid Loans. Not later than 12:00 noon (Chicago time) on the Borrowing Date for each Borrowing of a Bid Loan(s), each Bank bound to make Bid Loan(s) in accordance with Section 1.10(a) shall, subject to Section 6, make available to the

-10-

16

Agent the principal amount of each such Bid Loan in immediately available funds in Chicago, Illinois at the Agent's payment office in Chicago, Illinois, except that if such Bid Loan is denominated in an Alternative Currency each Bank shall, subject to Section 6, make available its Bid Loan at such office as the Agent has previously specified in a notice to each Bank, in such funds as are then customary for the settlement of international transactions in such currency and no later than such local time as is necessary for such funds to be received and transferred to the Borrower for same day value on the date of the Borrowing. The Agent shall make available to the Borrower Loans denominated in U.S. Dollars at the Agent's principal office in Chicago, Illinois and Loans denominated in Alternative Currencies at such office as the Agent has previously agreed to with the Borrower, in each case in the type of funds received by the Agent from the Banks.

Section 1.11. Interest on Bid Loans. Each Stated Rate Bid Loan made by a Bank shall bear interest (computed on the basis of a year of 360 days and actual days elapsed) on the unpaid principal amount thereof from time to time outstanding from the date of the Borrowing of such Loan to but excluding its maturity date (whether by acceleration or otherwise) at the rate per annum determined for such Stated Rate Bid Loan pursuant to Section 1.10 hereof, payable on its maturity date (whether by acceleration or otherwise) and if such Stated Rate Bid Loan has a maturity of longer than 90 days then on the day occurring every 90 days after the Borrowing Date for such Stated Rate Bid Loan. Each Eurocurrency Bid Loan made by a Bank shall bear interest, which interest shall be payable, as provided in Section 1.3(b) hereof.

Section 1.12. Interest Periods. As provided in Sections 1.5(a) and 1.7(a) hereof, at the time of each request to advance, continue, or create by conversion a Borrowing of Loans, the Borrower shall select an Interest Period applicable to such Loans from among the available options. The term "Interest Period" means the period commencing on the date a Borrowing of Loans is advanced, continued, or created by conversion and ending: (a) in the case of Domestic Rate Loans, on the last day of the calendar month in which such Borrowing is advanced, continued, or created by conversion (or on the last day of the following month if such Loan is advanced, continued or created by conversion on the last day of a calendar month), (b) in the case of Stated Rate Bid Loans, 1-180 days thereafter and (c) in the case of Eurocurrency Loans, 1, 2, 3, or 6 months thereafter; provided, however, that:

(a) any Interest Period for a Borrowing of Domestic Rate Loans that otherwise would end after the Termination Date shall end on the Termination Date;

(b) for any Borrowing of Fixed Rate Loans, the Borrower may not select an Interest Period that extends beyond the Termination Date;

(c) whenever the last day of any Interest Period would otherwise be a day that is not a Business Day, the last day of such Interest Period shall be extended to the next succeeding Business Day, provided that, if such extension would cause the last day of an Interest Period for a Borrowing of Eurocurrency

-11-

17

Loans to occur in the following calendar month, the last day of such Interest Period shall be the immediately preceding Business Day; and

(d) for purposes of determining an Interest Period for a Borrowing of Eurocurrency Loans, a month means a period starting on one day in a calendar month and ending on the numerically

corresponding day in the next calendar month; provided, however, that if there is no numerically corresponding day in the month in which such an Interest Period is to end or if such an Interest Period begins on the last Business Day of a calendar month, then such Interest Period shall end on the last Business Day of the calendar month in which such Interest Period is to end.

Section 1.13. Maturity of Loans. Each Committed Loan shall mature and become due and payable by the Borrower on the Termination Date. Each Bid Loan shall mature and become due and payable by the Borrower on the last day of its Interest Period.

Section 1.14. Prepayments. (a) Committed Loans. The Borrower shall have the privilege of prepaying Committed Loans without premium or penalty and in whole or in part (but, if in part, then: (i) if such Committed Borrowing is of Domestic Rate Loans, in an amount not less than \$5,000,000, (ii) if such Committed Borrowing is of Eurocurrency Loans denominated in U.S. Dollars, in an amount not less than \$5,000,000, (iii) if such Committed Borrowing is denominated in an Alternative Currency, an amount for which the U.S. Dollar Equivalent is not less than \$5,000,000 and (iv) in an amount such that the minimum amount required for a Committed Borrowing pursuant to Section 1.4 hereof remains outstanding) any Committed Borrowing of Eurocurrency Loans at any time upon three Business Days' prior notice to the Agent or, in the case of a Committed Borrowing of Domestic Rate Loans, at any time upon notice delivered to the Agent no later than 10:00 a.m. (Chicago time) on the date of prepayment, such prepayment to be made by the payment of the principal amount to be prepaid and accrued interest thereon to the date fixed for prepayment and, in the case of Committed Eurocurrency Loans, any compensation required by Section 1.17 hereof. The Agent will promptly advise each Bank of any such prepayment notice it receives from the Borrower. Any amount paid or prepaid before the Termination Date may, subject to the terms and conditions of this Agreement, be borrowed, repaid and borrowed again.

(b) Bid Loans. The Borrower may not prepay any Bid Loan before the last day of its Interest Period, except as required pursuant to Section 1.14(c), Section 8 or Section 9.1 hereof.

(c) Mandatory. If, within 30 days after receiving notice under Section 7.6(c) of a Change of Control Event, the Required Banks notify the Borrower that they require prepayment of the Notes, on the date set forth in such notice (which date shall be no earlier than (x) five (5) days after such notice is given or (y) the day on which the Borrower repays any other Debt before its original scheduled due date, whichever day is earlier) the Borrower shall pay in full all Obligations then outstanding, including the prepayment of L/C Obligations in the manner contemplated by Section 8.4 hereof, and the Commitments shall

-12-

18

terminate in full; provided, however, that any outstanding Bid Loan may be repaid on its scheduled maturity date unless otherwise required by the Bank that made the relevant Bid Loan.

Section 1.15. Default Rate. If any payment of principal on any Loan is not made when due (whether by acceleration or otherwise), such Loan shall bear interest (computed on the basis of a year of 360 days and actual days elapsed or, if based on the Domestic Rate, on the basis of a year of 365 or 366 days, as applicable, and the actual number of days elapsed) from the date such payment was due until paid in full, payable on demand, at a rate per annum equal to:

(a) for any Domestic Rate Loan, the sum of two percent (2%) plus the Domestic Rate from time to time in effect; and

(b) for any Fixed Rate Loan, the sum of two percent (2%) plus the rate of interest in effect thereon at the time of such default until the end of the Interest Period applicable thereto and, thereafter, if such Loan is denominated in U.S. Dollars, at a rate per annum equal to the sum of two percent (2%) plus the Domestic Rate from time to time in effect or, if such Loan is denominated in an Alternative Currency, at a rate per annum equal to the sum of the Eurocurrency Margin, plus two percent (2%) plus the rate of interest per annum as determined by the Agent (rounded upwards, if necessary, to the nearest whole multiple of one-sixteenth of one percent (1/16%)) at which overnight or weekend deposits of the appropriate currency (or, if such amount due remains unpaid more than three Business Days, then for such other period of time not longer than one month as the Agent may elect in its absolute discretion) for delivery in

immediately available and freely transferable funds would be offered by the Agent to major banks in the interbank market upon request of such major banks for the applicable period as determined above and in an amount comparable to the unpaid principal amount of any such Eurocurrency Loan (or, if the Agent is not placing deposits in such currency in the interbank market, then the Agent's cost of funds in such currency for such period).

Section 1.16. The Notes. (a) The Committed Loans made to the Borrower by a Bank shall be evidenced by a single promissory note of the Borrower issued to such Bank in the form of Exhibit B hereto (individually a "Committed Note" and collectively the "Committed Notes"). All Bid Loans made to the Borrower by a Bank shall be evidenced by a single promissory note of the Borrower payable to the order of such Bank in the form of Exhibit C hereto (such notes being hereinafter referred to individually as a "Bid Note" and collectively as the "Bid Notes").

(b) Each Bank shall record on its books and records or on a schedule to its applicable Note the amount of each Loan advanced, continued, or converted by it, all payments of principal and interest and the principal balance from time to time outstanding thereon, the type of such Loan, and, for any Fixed Rate Loan, the Interest Period, the currency in which such Loan is denominated, and the interest rate applicable thereto. The

-13-

19

record thereof, whether shown on such books and records of a Bank or on a schedule to any Note, shall be prima facie evidence as to all such matters; provided, however, that the failure of any Bank to record any of the foregoing or any error in any such record shall not limit or otherwise affect the obligation of the Borrower to repay all Loans made to it hereunder together with accrued interest thereon. At the request of any Bank and upon such Bank tendering to the Borrower the Note to be replaced, the Borrower shall furnish a new Note to such Bank to replace any outstanding Note, and at such time the first notation appearing on a schedule on the reverse side of, or attached to, such Note shall set forth the aggregate unpaid principal amount of all Loans, if any, then outstanding thereon.

Section 1.17. Funding Indemnity. If any Bank shall incur any loss, cost or expense (including, without limitation, any loss of profit, and any loss, cost or expense incurred by reason of the liquidation or re-employment of deposits or other funds acquired by such Bank to fund or maintain any Fixed Rate Loan or the relending or reinvesting of such deposits or amounts paid or prepaid to such Bank) as a result of:

(a) any payment, prepayment or conversion of a Fixed Rate Loan on a date other than the last day of its Interest Period,

(b) any failure (because of a failure to meet the conditions of Section 6 or otherwise) by the Borrower to borrow or continue a Fixed Rate Loan, or to convert a Domestic Rate Loan into a Fixed Rate Loan, on the date specified in a notice given pursuant to Section 1.5(a) or established pursuant to Section 1.5(c) hereof,

(c) any failure by the Borrower to make any payment of principal on any Fixed Rate Loan when due (whether by acceleration or otherwise), or

(d) any acceleration of the maturity of a Fixed Rate Loan as a result of the occurrence of any Event of Default hereunder,

then, upon the demand of such Bank, the Borrower shall pay to such Bank such amount as will reimburse such Bank for such loss, cost or expense. If any Bank makes such a claim for compensation, it shall provide to the Borrower, with a copy to the Agent, a certificate executed by an officer of such Bank setting forth the amount of such loss, cost or expense in reasonable detail (including an explanation of the basis for and the computation of such loss, cost or expense) and the amounts and components of such calculation shown on such certificate if reasonably calculated shall be conclusive.

Section 1.18. Commitment Terminations. The Borrower shall have the right at any time and from time to time, upon five (5) Business Days' prior written notice to the Agent, to terminate the Revolving Credit Commitments without premium or penalty, in whole or in part, any partial termination to be (i) in an amount not less than \$5,000,000, and (ii) allocated ratably among the Banks in proportion to their respective Percentages, provided that the Revolving Credit Commitments may not be reduced to an amount less than the sum of the Original Dollar Amount of all Loans and all L/C Obligations then

20

outstanding. The Agent shall give prompt notice to each Bank of any such termination of Revolving Credit Commitments. Any termination of Revolving Credit Commitments pursuant to this Section 1.18 may not be reinstated.

Section 1.19. Increase in Revolving Credit Commitment. Provided that no Event of Default has occurred and is continuing, the Borrower may, from time to time on any Business Day, increase the Revolving Credit Commitments by delivering a Revolving Credit Commitment Amount Increase Request at least 5 Business Days (or such fewer Business Days as the Agent may agree) before the desired effective date of such increase (the "Commitment Amount Increase") identifying each additional Bank (which may be an existing Bank) which has so agreed and the amount of its Revolving Credit Commitment (or, each additional amount of an existing Bank's Revolving Credit Commitment) which Bank and Commitment must be acceptable to the Agent; provided, however, that any increase of the Revolving Credit Commitments to aggregate Revolving Credit Commitments in excess of \$600,000,000 will require the approval of all the Banks. The effective date of each Commitment Amount Increase shall be agreed upon by the Borrower and the Agent and shall be a date on which no Committed Loans are outstanding. Upon the effectiveness thereof, the Banks' Percentages shall be adjusted to reflect the then existing Revolving Credit Commitments. The Borrower agrees to pay any fees or expenses (including reasonable attorneys' fees and any processing fees) of the Agent relating to any Commitment Amount Increase.

SECTION 2. FEES AND EXTENSIONS.

Section 2.1. Fees. (a) Facility Fee. For the period from the Effective Date to and including the Termination Date, the Borrower shall pay to the Agent for the ratable account of the Banks in accordance with their Percentages a facility fee on the average daily amount of the Revolving Credit Commitments hereunder (whether used or unused) at a rate of 0.10% per annum until the first Pricing Date, and thereafter from one Pricing Date until the next at a rate of (i) 0.085% per annum for each day Level I status exists, (ii) 0.10% per annum for each day Level II status exists, (iii) 0.125% per annum for each day Level III status exists, (iv) 0.175% per annum for each day Level IV status exists and (v) 0.250% per annum for each day Level V status exists, such fees being payable in arrears on September 30, 1996, on the last day of each calendar quarter thereafter and on the Termination Date, unless the Revolving Credit Commitments are terminated in whole on an earlier date, in which event the fee for the period to but not including the date of such termination shall be paid in whole on the date of such termination.

(b) Letter of Credit Fees. On the date of issuance or extension, or increase in the amount, of any Standby Letter of Credit pursuant to Section 1.2 hereof, the Borrower shall pay to the Agent for its own account an issuance fee equal to 1/16 of 1% (0.0625) per annum of the face amount of (or of the increase in the face amount of) such Standby Letter of Credit. Quarterly in arrears, on the last day of each calendar quarter, commencing on September 30, 1996, the Borrower shall pay to the Agent, for the ratable benefit of the Banks in accordance with their Percentages, a letter of credit fee at a rate per annum equal to the Eurocurrency Margin in effect during each day of such quarter applied to the daily

21

average face amount of Letters of Credit outstanding during such quarter. In addition, the Borrower shall pay to the Agent for its own account (i) the Agent's standard issuance fee for each Commercial Letter of Credit and (ii) the Agent's standard drawing, negotiation, amendment, and other administrative fees for each Letter of Credit. Such standard fees referred to in the preceding clauses (i) and (ii) may be established by the Agent from time to time.

(c) Agent Fees. The Borrower shall pay to the Agent the fees agreed to between the Agent and the Borrower.

(d) Fee Calculations. All fees payable under this Section 2.1 shall be computed on the basis of a year of 365 or 366 days, as applicable, for the actual number of days elapsed.

Section 2.2. Extension of Termination Date. (a) No later than

ninety (90) days before each anniversary date of this Agreement (each an "Anniversary Date") the Borrower may make a request for a one year extension of the Termination Date then in effect (the "Existing Termination Date") in a written notice to the Agent. The Agent will promptly inform the Banks of any such request, and each Bank shall notify the Agent in writing within forty-five (45) days before the Anniversary Date following such request (the "Reply Date") whether it agrees to the requested extension. If a Bank fails to so notify the Agent whether it agrees to such extension, such Bank shall be deemed to have refused to grant the requested extension.

(b) If, on or before the relevant Reply Date, the Agent shall have received from Banks holding Revolving Credit Commitments in an aggregate amount more than 80% of the aggregate amount of the Revolving Credit Commitments notices agreeing to extend the Termination Date as provided in paragraph (a) above, then, effective as of such Anniversary Date, the Termination Date shall be extended to the date one year following the Existing Termination Date; provided that (i) if the Agent shall not have received such notices or the Borrower shall deliver a notice of material adverse change as provided in Section 2.2(d), the Termination Date shall remain unchanged and no Replacement Bank shall become a Bank hereunder and (ii) if the Agent shall have received such notices and the Borrower has not delivered a notice of material adverse change as provided in Section 2.2(d) below, the Revolving Credit Commitment of any Bank (a "Non-Extending Bank") that notified the Agent it elected not to extend the Termination Date as provided in paragraph (a) above or failed to deliver a notice to the Agent agreeing to such an extension shall, subject to paragraph (c) below, terminate on such Anniversary Date and the Borrower shall pay on such Anniversary Date in full all Obligations owing to each Non-Extending Bank. Such payment shall be made to such Non-Extending Banks pro rata without any sharing with the other Banks, notwithstanding Section 11.7 hereof, so long as no Obligations owed hereunder are then past due. After receipt of such payment on such Anniversary Date, each such Non-Extending Bank shall no longer be a party to this Agreement or be included as a Bank for purposes of this Agreement and each other Credit Document except that each such Non-Extending Bank shall continue to be entitled to the benefits of the indemnities which survive the termination of this Agreement as provided in Section 11.6 hereof. Each Non-Extending Bank shall have no further obligation or Revolving Credit Commitment hereunder following

-16-

22

the date on which it is terminated as a Bank hereunder except for those that accrued on or before such date.

(c) The Borrower shall have the right at any time after the Reply Date and on or before such Anniversary Date to replace such Non- Extending Bank(s) with one or more other Eligible Assignees including any other Bank (each a "Replacement Bank") with the approval of the Agent, each of which Replacement Bank(s) shall have entered into an agreement in form and substance satisfactory to the Borrower and the Agent pursuant to which such Replacement Bank(s) shall (i) assume all or any portion of the Revolving Credit Commitment(s) of the Non-Extending Bank(s) as if such Non-Extending Bank(s) had agreed to an extension of the Existing Termination Date previously effected pursuant to Section 2.2(b) hereof (and, if such Replacement Bank(s) is a Bank, its Revolving Credit Commitment shall be in addition to each such Bank's Revolving Credit Commitment hereunder on such date) and (ii) purchase all of each such Non-Extending Bank's Loans and any Reimbursement Obligations which may be owing to such Non-Extending Bank for a consideration equal to the aggregate outstanding principal amount of such Non-Extending Bank's Loans and such Reimbursement Obligations, together with interest thereon to the date of such purchase, and satisfactory arrangements are made for payment to such Non-Extending Bank of all other amounts payable to such Non-Extending Bank on or prior to the date of such transfer (including any fees accrued hereunder and any amounts that would be payable under Section 1.17 hereof as if all of such Non-Extending Bank's Loans were being prepaid in full on such date).

(d) If the Existing Termination Date shall have been extended pursuant to this Section 2.2, the Borrower shall be deemed to represent to each Bank, including each Replacement Bank, that, except as previously disclosed in writing to the Banks before the applicable Anniversary Date, since the date of the latest audited financial statements delivered pursuant to Section 7.6(a)(ii) hereof to such Anniversary Date, there has been no material adverse change in the financial condition, results of operations, Property, or business of the Borrower and its Subsidiaries, taken as a whole.

SECTION 3. PLACE AND APPLICATION OF PAYMENTS.

Section 3.1. Place and Application of Payments. All payments of principal of and interest on the Loans and the Reimbursement Obligations, and

of all other amounts payable by the Borrower under this Agreement, shall be made by the Borrower to the Agent by no later than 12:00 noon (Chicago time) on the due date thereof at the principal office of the Agent in Chicago, Illinois (or such other location in the State of Illinois as the Agent may designate to the Borrower) or, if such payment is to be made in an Alternative Currency, no later than 12:00 noon local time at the place of payment to such office as the Agent has previously specified in a notice to the Borrower for the benefit of the Person or Persons entitled thereto. Any payments received after such time shall be deemed to have been received by the Agent on the next Business Day. All such payments shall be made (i) in U.S. Dollars, in immediately available funds at the place of payment, or (ii) in the case of principal or interest payable on Loans made in an Alternative Currency and other amounts payable hereunder in an Alternative Currency, in such Alternative Currency in such funds

-17-

23

then customary for the settlement of international transactions in such currency, in each case without setoff or counterclaim. The Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal or interest on Loans or facility fees or Letter of Credit fees payable pursuant to the second sentence of Section 2.1(b) hereof ratably to the Banks entitled thereto and like funds relating to the payment of any other amount payable to any Person to such Person, in each case to be applied in accordance with the terms of this Agreement.

SECTION 4. DEFINITIONS; INTERPRETATION.

Section 4.1. Definitions. The following terms when used herein have the following meanings:

"Account" is defined in Section 8.4(b) hereof.

"Adjusted LIBOR" is defined in Section 1.3(b) hereof.

"Affiliate" means, as to any Person, any other Person which directly or indirectly controls, or is under common control with, or is controlled by, such Person. As used in this definition, "control" (including, with their correlative meanings, "controlled by" and "under common control with") means possession, directly or indirectly, of power to direct or cause the direction of management or policies of a Person (whether through ownership of securities or partnership or other ownership interests, by contract or otherwise), provided that, in any event for purposes of this definition: (i) any Person which owns directly or indirectly 5% or more of the securities having ordinary voting power for the election of directors or other governing body of a corporation or 5% or more of the partnership or other ownership interests of any other Person (other than as a limited partner of such other Person) will be deemed to control such corporation or other Person; and (ii) each director and executive officer of the Borrower or any Subsidiary shall be deemed an Affiliate of the Borrower and each Subsidiary.

"Agent" means Harris Trust and Savings Bank and any successor pursuant to Section 10.8 hereof.

"Alternative Currency" means any of Australian Dollars, Belgian Francs, Canadian Dollars, Deutsche Marks, Dutch Guilders, French Francs, Japanese Yen, Pound Sterling, Spanish Pesetas, and, for a Eurocurrency Bid Loan only, any other currency in which a Bank has agreed to advance pursuant to a Bid Loan Request, in each case for so long as such currency is freely transferable and convertible to U.S. Dollars and, in the case of Committed Eurocurrency Loans, is available to all the Banks.

"Anniversary Date" is defined in Section 2.2 hereof.

"Application" is defined in Section 1.2(b) hereof.

"Australian Dollars" means the lawful currency of Australia.

-18-

24

"Authorized Representative" means those persons shown on the list of officers provided by the Borrower pursuant to Section 6.1(e) hereof, or on any updated such list provided by the Borrower to the Agent, or any further or

different officer of the Borrower so named by any Authorized Representative of the Borrower in a written notice to the Agent.

"Bank" means each Bank signatory hereto or that becomes a Bank hereunder pursuant to Sections 1.19, 2.2(c) or 11.12 hereof and includes the Agent in its capacity as issuer of Letters of Credit and holder of L/C Obligations after giving effect to each Participating Bank's interest therein.

"Belgian Francs" means the lawful currency of the Kingdom of Belgium.

"Bid" is defined in Section 1.7(c) hereof.

"Bid Loan" is defined in Section 1.6 hereof.

"Bid Loan Request" is defined in Section 1.7(a) hereof.

"Bid Loan Request Confirmation" is defined in Section 1.7(a) hereof.

"Bid Note" is defined in Section 1.16 hereof.

"Borrower" means U.S. Robotics Corporation, a Delaware corporation.

"Borrowing" means the total of Loans of a single type advanced, continued for an additional Interest Period, or converted from a different type into such type by a Bank or Banks on a single date and for a single Interest Period. Borrowings of Committed Loans are made and maintained ratably from each of the Banks according to their Percentages. A Borrowing is "advanced" on the day a Bank or Banks advance funds comprising such Borrowing to the Borrower and, in the case of Committed Loans only, is "continued" on the date a new Interest Period for the same type of Committed Loans commences for such Borrowing, and is "converted" when such Borrowing of Committed Loans is changed from one type of Loan to the other, all as requested by the Borrower pursuant to Section 1.5(a). The term "Committed Borrowing" shall mean a Borrowing of Committed Loans advanced, continued, or converted pursuant to Section 1.5 hereof and the term "Bid Borrowing" shall mean a Borrowing of Bid Loans advanced pursuant to Section 1.10 hereof.

"Borrowing Date" is defined in Section 1.7(a) hereof.

"Business Day" means any day other than a Saturday or Sunday on which Banks are not authorized or required to close in Chicago, Illinois and, if the applicable Business Day relates to the borrowing or payment of a Eurocurrency Loan, on which banks are dealing in U.S. Dollar deposits or the relevant Alternative Currency in the interbank market in London, England and, if the applicable Business Day relates to the borrowing or payment of a Eurocurrency Loan denominated in an Alternative Currency, on which banks and foreign

-19-

25

exchange markets are open for business in the city where disbursements of or payments on such Loan are to be made.

"Canadian Dollars" means the lawful currency of Canada.

"Capital Lease" means at any date any lease of Property which, in accordance with GAAP, would be required to be capitalized on the balance sheet of the lessee.

"Capitalized Lease Obligations" means, for any Person, the amount of such Person's liabilities under Capital Leases determined at any date in accordance with GAAP.

"Change of Control Event" means at any time (a) any person or group of persons (within the meaning of Section 13 or 14 of the Securities and Exchange Act of 1934, as amended) acquires legal or beneficial ownership (within the meaning of Rule 13d-3 promulgated by the SEC under said Act) of 20% or more in voting power of the outstanding Voting Stock of the Borrower or (b) members of the Board of Directors of the Borrower on the date hereof plus any additional members of such Board whose nomination for election or election to such Board is recommended or approved by the then current members of such Board shall at any time fail to constitute a majority of such Board.

"Code" means the Internal Revenue Code of 1986, as amended.

"Commercial Letter of Credit" means a Letter of Credit that finances a commercial transaction by paying part or all of the purchase price for goods against delivery of a document of title covering such goods and any other required documentation.

"Commitments" means the Revolving Credit Commitments and the L/C Commitment.

"Commitment Amount Increase" is defined in Section 1.19 hereof.

"Committed Loan" is defined in Section 1.1 hereof.

"Committed Note" is defined in Section 1.16 hereof.

"Compliance Certificate" means a certificate in the form of Exhibit H hereto.

"Consolidated Net Income" means, for any period, the net income (or net loss) of the Borrower and its Subsidiaries for such period computed on a consolidated basis in accordance with GAAP.

"Consolidated Tangible Assets" means the total assets of the Borrower and its Subsidiaries on a consolidated basis determined in accordance with GAAP, excluding from the determination thereof all assets which would be classified as intangible assets under GAAP.

-20-

26

"Consolidated Tangible Net Worth" means the excess of Consolidated Tangible Assets over the total liabilities that are reflected on the balance sheet of the Borrower and its Subsidiaries on a consolidated basis determined in accordance with GAAP.

"Contractual Obligation" means, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or undertaking to which such Person is a party or by which it or any of its Property is bound.

"Controlled Group" means all members of a controlled group of corporations and all trades and businesses (whether or not incorporated) under common control that, together with the Borrower or any of its Subsidiaries, are treated as a single employer under Section 414 of the Code.

"Credit Documents" means this Agreement, the Notes, the Applications and the Letters of Credit.

"Credit Event" means the advancing of any Loan, the continuation of or conversion into a Eurocurrency Loan, or the issuance of, or extension of the expiration date or increase in the amount of, any Letter of Credit.

"Debt" means, for any Person, any Indebtedness of such Person of the type described in clauses (i) through (vii) of the definition of such term.

"Default" means any event or condition the occurrence of which would, with the passage of time or the giving of notice, or both, constitute an Event of Default.

"Deutsche Marks" means the lawful currency of the Federal Republic of Germany.

"Domestic Rate" is defined in Section 1.3(a) hereof.

"Domestic Rate Loan" means a Loan bearing interest prior to maturity at a rate specified in Section 1.3(a) hereof.

"Dutch Guilder" means the lawful currency of The Kingdom of The Netherlands.

"EBITDA" means, for any period, Consolidated Net Income for such period plus all amounts deducted in arriving at such Consolidated Net Income amount for such period for (i) Interest Expense, (ii) federal, state and local income tax expense and (iii) all amounts properly charged for depreciation of fixed assets and amortization of intangible assets during such period on the books of the Borrower and its Subsidiaries.

"Effective Date" means the date on which the Agent has received signed counterpart signature pages of this Agreement from each of the signatories (or, in the case of a Bank, confirmation that such Bank has executed such a counterpart and dispatched it for delivery to the Agent) and the conditions in Section 6.1 hereof have been fulfilled.

27

"Eligible Assignee" means a commercial bank incorporated or organized under the laws of the United States of America, any state or political subdivision thereof or another member country of the Organization for Economic Cooperation and Development (provided that such bank is acting through a branch or agency located in the United States) with a net worth or combined capital and surplus (as established in its most recent report of condition to its primary regulator) of not less than \$250,000,000.

"ERISA" is defined in Section 5.8 hereof.

"Existing Termination Date" is defined in Section 2.2(a) hereof.

"Eurocurrency Loan" means a Loan bearing interest prior to maturity at the rate specified in Section 1.3(b) hereof and "Committed Eurocurrency Loan" means a Eurocurrency Loan made pursuant to the provisions of Section 1.5 hereof and "Eurocurrency Bid Loan" means a Eurocurrency Loan made pursuant to the provisions of Section 1.10 hereof. "Eurocurrency Loans" shall include both Committed Eurocurrency Loans and Eurocurrency Bid Loans unless the context otherwise requires.

"Eurocurrency Margin" is defined in Section 1.3(b) hereof.

"Eurocurrency Reserve Percentage" is defined in Section 1.3(b) hereof.

"Event of Default" means any of the events or circumstances specified in Section 8.1 hereof.

"Federal Funds Rate" means the fluctuating interest rate per annum described in part (x) of clause (ii) of the definition of Domestic Rate in Section 1.3(a) hereof.

"French Franc" means the lawful currency of the Republic of France.

"Fixed Rate Loans" means all Loans other than Domestic Rate Loans.

"GAAP" means generally accepted accounting principles as in effect from time to time, provided that for purposes of computing compliance with Sections 7.9, 7.12, 7.15, 7.16, 7.17 and 7.19 hereof, GAAP shall mean generally accepted accounting principles applied by the Borrower and its Subsidiaries on a basis consistent with the preparation of the financial statements furnished to the Banks as described in Section 5.4 hereof.

"Guaranty" by any Person means all obligations (other than endorsements in the ordinary course of business of negotiable instruments for deposit or collection) of such Person guaranteeing or in effect guaranteeing any Indebtedness, dividend or other obligation (including, without limitation, limited or full recourse obligations in connection with sales of receivables or any other Property) of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, all obligations incurred through an agreement, contingent or otherwise, by such Person: (i) to purchase such Indebtedness or obligation or any Property or assets constituting security therefor,

28

(ii) to advance or supply funds (x) for the purchase or payment of such Indebtedness or obligation, or (y) to maintain working capital or other balance sheet condition, or otherwise to advance or make available funds for the purchase or payment of such Indebtedness or obligation, or (iii) to lease property or to purchase Securities or other property or services primarily for the purpose of assuring the owner of such Indebtedness or obligation of the ability of the primary obligor to make payment of the Indebtedness or obligation, or (iv) otherwise to assure the owner of the Indebtedness or obligation of the primary obligor against loss in respect thereof. For the purpose of all computations made under this Agreement, the amount of a Guaranty in respect of any obligation shall be deemed to be equal to the maximum aggregate amount of such obligation or, if the Guaranty is limited to less than the full amount of such obligation, the maximum aggregate potential liability under the terms of the Guaranty.

"Hazardous Material" means and includes (a) any asbestos, PCBs or dioxins or insulation or other material composed of or containing asbestos, PCBs or dioxins and (b) any petroleum product or derivative or other

hydrocarbon, and any hazardous or toxic waste, substance or material defined as such in (or for purposes of) CERCLA, any so-called "Superfund" or "Superlien" law, or any other applicable federal, state, local or other statute, law, ordinance, code, rule, regulation, order or decree regulating or pertaining to any such waste, substance or material, as now or at any time hereinafter in effect.

"Indebtedness" means and includes, for any Person, all obligations of such Person, without duplication, which are required by GAAP to be shown as liabilities on its balance sheet, and in any event shall include the principal component or imputed principal component of all (i) obligations of such Person for borrowed money, (ii) obligations of such Person representing the deferred purchase price of property or services other than accounts payable arising in the ordinary course of business on terms customary in the trade, (iii) obligations of such Person evidenced by notes, acceptances, or other instruments of such Person or arising out of letters of credit issued for such Person's account, (iv) Capitalized Lease Obligations of such Person, (v) obligations of such Person under Sale/Leaseback Leases, (vi) obligations of the type described in clauses (i) through (v) above, whether or not assumed, secured by Liens or payable out of the proceeds or production from Property now or hereafter owned or acquired by such Person and (vii) obligations of the type described in clauses (i) through (vi) above for which such Person is obligated pursuant to a Guaranty. The imputed principal component of any such obligations or liabilities will be determined by any reasonable method selected by the Borrower and disclosed to the Banks that is not objected to by the Required Banks.

"Interest Expense" means, for any period, the sum of all interest charges for such period determined on a consolidated basis in accordance with GAAP.

"Interest Period" is defined in Section 1.12 hereof.

"Investment" is defined in Section 7.14 hereof.

"Japanese Yen" means the lawful currency of Japan.

-23-

29

"L/C Commitment" means \$30,000,000.

"L/C Documents" means the Letters of Credit, any draft or other document presented in connection with a drawing thereunder, the Applications and this Agreement.

"L/C Obligations" means the aggregate undrawn face amounts of all outstanding Letters of Credit and all unpaid Reimbursement Obligations.

"Lending Office" is defined in Section 9.4 hereof.

"Letter of Credit" is defined in Section 1.2(a) hereof.

"Level I" means from and after August 29, 1997 the Borrower's Leverage Ratio as of the end of the Borrower's fiscal quarter ending immediately prior to the most recent Pricing Date is less than .10 to 1.00.

"Level II" means (a) before August 29, 1997 the Borrower's Leverage Ratio as of the end of the Borrower's fiscal quarter ending immediately prior to the most recent Pricing Date is less than .25 to 1.00 and (b) from and after August 29, 1997 the Borrower's Leverage Ratio as of the end of the Borrower's fiscal quarter ending immediately prior to the most recent Pricing Date is greater than or equal to .10 to 1.00 and less than .25 to 1.00.

"Level III" means the Borrower's Leverage Ratio as of the end of the Borrower's fiscal quarter ending immediately prior to the most recent Pricing Date is greater than or equal to .25 to 1.00 and less than .35 to 1.00.

"Level IV" means the Borrower's Leverage Ratio as of the end of the Borrower's fiscal quarter ending immediately prior to the most recent Pricing Date is greater than or equal to .35 to 1.00 and less than .45 to 1.00.

"Level V" means the Borrower's Leverage Ratio as of the end of the Borrower's fiscal quarter ending immediately prior to the most recent Pricing Date is greater than or equal to .45 to 1.00.

"Leverage Ratio" means the ratio of Total Debt to Total Capitalization.

"LIBOR" is defined in Section 1.3(b) hereof.

"Lien" means any interest in Property securing an obligation owed to, or a claim by, a Person other than the owner of the Property, whether such interest is based on the common law, statute or contract, including, but not limited to, the security interest lien arising from a mortgage, encumbrance, pledge, conditional sale, security agreement or trust receipt, or a lease, consignment or bailment for security purposes. The term "Lien" shall also include reservations, exceptions, encroachments, easements, rights of way, covenants, conditions, restrictions, leases and other title exceptions and encumbrances affecting Property. For the purposes of this definition, a Person shall be deemed to be the owner of any Property which

-24-

30

it has acquired or holds subject to a conditional sale agreement, Capital Lease or other arrangement pursuant to which title to the Property has been retained by or vested in some other Person for security purposes, and such retention of title shall constitute a "Lien."

"Loan" means any Committed Loan or Bid Loan and, as so defined, includes a Domestic Rate Loan, Stated Rate Bid Loan or Eurocurrency Loan, each of which is a "type" of Loan hereunder.

"Material Subsidiary" means each Subsidiary existing on the Effective Date and each Subsidiary hereafter created or acquired which has either (i) assets with a book value in excess of 5% of the Consolidated Tangible Assets measured as of the last day of the most recently completed fiscal quarter or (ii) annual revenues for the most recently completed 12-month period in excess of 5% of the revenues of the Borrower and its Subsidiaries, taken as a whole.

"Non-Extending Bank" is defined in Section 2.2(b) hereof.

"Note" means any Committed Note or Bid Note and "Notes" shall mean all Committed Notes and Bid Notes.

"Obligations" means all fees payable hereunder, all obligations of the Borrower to pay principal or interest on Loans and Reimbursement Obligations, and all other payment obligations of the Borrower arising under or in relation to any Credit Document.

"Original Dollar Amount" means the amount of any Obligation denominated in U.S. Dollars and, in relation to any Loan denominated in an Alternative Currency, the U.S. Dollar Equivalent of such Loan on the day it is advanced or continued for an additional Interest Period.

"Participating Bank" is defined in Section 1.2(d) hereof.

"Participating Interest" is defined in Section 1.2(d) hereof.

"Percentage" means, for each Bank, the percentage of the Revolving Credit Commitments represented by such Bank's Revolving Credit Commitment or, if the Revolving Credit Commitments have been terminated, the percentage held by such Bank (including through participation interests in Reimbursement Obligations) of the aggregate principal amount of all outstanding Obligations.

"Permitted Liquid Investments" means any investment by the Borrower or any Subsidiary of excess cash complying with the restrictions of Schedule 7.14 hereto, provided that all such investments in preferred stock are in so-called "money market preferred" that pays dividends at rates reset periodically to reflect then current short term interest rates and such preferred stock carries a credit rating meeting the "Quality Standards" described in such Schedule 7.14; provided further that Permitted Liquid Investments will include

-25-

31

investments in instruments similar to securities listed on Schedule 7.14 that meet the credit quality and maturity standards of Schedule 7.14.

"Person" means an individual, partnership, corporation, association, trust, unincorporated organization or any other entity or organization, including a government or any agency or political subdivision thereof.

"Plan" means at any time an employee pension benefit plan covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code that is either (i) maintained by a member of the Controlled Group or (ii) maintained pursuant to a collective bargaining agreement or any other arrangement under which more than one employer makes contributions and to which a member of the Controlled Group is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions.

"PBGC" is defined in Section 5.8 hereof.

"Pound Sterling" means the lawful currency of the United Kingdom.

"Pricing Date" means, for any fiscal quarter of the Borrower ended after the date hereof, the sixtieth day after the last day of such fiscal quarter. The Eurocurrency Margin and facility fee established as of a Pricing Date shall remain in effect until the next Pricing Date.

"Property" means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, whether now owned or hereafter acquired.

"Reference Banks" means Harris Trust and Savings Bank, The First National Bank of Chicago, NationsBank of Texas, N.A., and Societe Generale, and "Reference Bank" means any one of such Reference Banks.

"Refunding Borrowing" means a Committed Borrowing which, after application of the proceeds thereof, results in no net increase in the outstanding principal amount of Committed Loans.

"Reimbursement Obligation" is defined in Section 1.2(c) hereof.

"Required Banks" means, as of the date of determination thereof, Banks holding at least 66-2/3% of the Percentages.

"Replacement Bank" is defined in Section 2.2(c) hereof.

"Reply Date" is defined in Section 2.2(b) hereof.

"Revolving Credit" is defined in the introductory paragraph hereof.

-26-

32

"Revolving Credit Commitment" is defined in Section 1.1 hereof.

"Revolving Credit Commitment Amount Increase Request" means a request substantially in the form of Exhibit J hereto executed by an Authorized Representative.

"Sale/Leaseback Lease" means any lease of any real or personal property that is created pursuant to or in connection with a transaction permitted under Section 7.11 hereof.

"SEC" means the Securities and Exchange Commission.

"Security" has the same meaning as in Section 2(1) of the Securities Act of 1933, as amended.

"Set-Off" is defined in Section 11.7 hereof.

"Spanish Pesetas" means the lawful currency of Spain.

"Standby Letter of Credit" means a Letter of Credit that is not a Commercial Letter of Credit.

"Stated Rate Bid Loan" is defined in Section 1.6 hereof.

"Subsidiary" means, as to the Borrower, any corporation or other entity of which more than fifty percent (50%) of the outstanding stock or comparable equity interests having ordinary voting power for the election of the Board of Directors of such corporation or similar governing body in the case of a non-corporation (irrespective of whether or not, at the time, stock or other equity interests of any other class or classes of such corporation or other entity shall have or might have voting power by reason of the happening of any contingency) is at the time directly or indirectly owned by the Borrower or by one or more of its Subsidiaries.

"Termination Date" means September 12, 1999, subject to any extension

of such date pursuant to Section 2.2 hereof.

"Total Capitalization" means the sum of Total Debt and Consolidated Tangible Net Worth.

"Total Debt" means all Debt of the Borrower and its Subsidiaries determined without duplication on a consolidated basis.

"Unfunded Vested Liabilities" means, with respect to any Plan at any time, the amount (if any) by which (i) the present value of all vested nonforfeitable accrued benefits under such Plan exceeds (ii) the fair market value of all Plan assets allocable to such benefits, all determined as of the then most recent valuation date for such Plan, but only to the extent that such excess represents a potential liability of a member of the Controlled Group to the PBGC or the Plan under Title IV of ERISA.

-27-

33

"U.S. Dollars" and "\$" each means the lawful currency of the United States of America.

"U.S. Dollar Equivalent" means the amount of U.S. Dollars which would be realized by converting an Alternative Currency into U.S. Dollars in the spot market at the exchange rate quoted by the Agent, at approximately 11:00 a.m. (London time) two Business Days prior to the date on which a computation thereof is required to be made, to major banks in the interbank foreign exchange market for the purchase of U.S. Dollars for such Alternative Currency.

"Voting Stock" of any Person means capital stock of any class or classes or other equity interests (however designated) having ordinary voting power for the election of directors or similar governing body of such Person, other than stock or other equity interests having such power only by reason of the happening of a contingency.

"Welfare Plan" means a "welfare plan", as defined in Section 3(1) of ERISA.

"Wholly-Owned" when used in connection with any Subsidiary of the Borrower means a Subsidiary of which all of the issued and outstanding Voting Stock (other than directors' qualifying shares as required by law) shall be owned by the Borrower and/or one or more of its wholly-owned Subsidiaries.

Section 4.2. Interpretation. The foregoing definitions shall be equally applicable to both the singular and plural forms of the terms defined. All references to times of day in this Agreement shall be references to Chicago, Illinois time unless otherwise specifically provided. Where the character or amount of any asset or liability or item of income or expense is required to be determined or any consolidation or other accounting computation is required to be made for the purposes of this Agreement, the same shall be done in accordance with GAAP, to the extent applicable, except where such principles are inconsistent with the specific provisions of this Agreement.

SECTION 5. REPRESENTATIONS AND WARRANTIES.

The Borrower hereby represents and warrants to each Bank as to itself and, where the following representations and warranties apply to Subsidiaries, as to each of its Subsidiaries, as follows:

Section 5.1. Corporate Organization and Authority. The Borrower is duly organized and existing in good standing under the laws of the State of Delaware; has all necessary corporate power to carry on its present business; and is duly licensed or qualified and in good standing in each jurisdiction in which the nature of the business transacted by it or the nature of the Property owned or leased by it makes such licensing or qualification necessary and in which the failure to be so licensed or qualified would reasonably be expected to have a material adverse effect on the financial condition, results of operations, Property, or business of the Borrower and its Subsidiaries, taken as a whole.

-28-

34

Section 5.2. Subsidiaries. Schedule 5.2 (as updated from time

to time pursuant to Section 7.6(a)(iv)) hereto identifies each Subsidiary, the jurisdiction of its incorporation or organization, as the case may be, the percentage of issued and outstanding shares of each class of its capital stock or other equity interests owned by the Borrower and the Subsidiaries and, if such percentage is not 100% (excluding directors' qualifying shares as required by law), a description of each class of its authorized capital stock and other equity interests and the number of shares of each class issued and outstanding. Each Subsidiary is duly incorporated and existing in good standing as a corporation under the laws of the jurisdiction of its incorporation, has all necessary corporate power to carry on its present business, and is duly licensed or qualified and in good standing in each jurisdiction in which the nature of the business transacted by it or the nature of the Property owned or leased by it makes such licensing or qualification necessary and in which the failure to be so licensed or qualified would reasonably be expected to have a material adverse effect on the financial condition, results of operations, Property, or business of the Borrower and its Subsidiaries, taken as a whole. All of the issued and outstanding shares of capital stock of each Subsidiary are validly issued and outstanding and fully paid and nonassessable. All such shares owned by the Borrower are owned beneficially, and of record, free of any Lien.

Section 5.3. Corporate Authority and Validity of Obligations.

The Borrower has full right and authority to enter into this Agreement and the other Credit Documents to which it is a party, to make the borrowings herein provided for, to issue its Notes in evidence thereof, to apply for the issuance of the Letters of Credit, and to perform all of its obligations under the Credit Documents to which it is a party. Each Credit Document to which it is a party has been duly authorized, executed and delivered by the Borrower and constitutes valid and binding obligations of the Borrower enforceable in accordance with its terms. Neither any of the Credit Documents, nor the performance or observance by the Borrower of any of the matters required by them, contravenes any provision of law or any charter or by-law provision of the Borrower or (individually or in the aggregate) any material Contractual Obligation of or affecting the Borrower or any of its Properties or results in or requires the creation or imposition of any Lien on any of the Properties or revenues of the Borrower.

Section 5.4. Financial Statements. The October 1, 1995, audited

consolidated financial statements of the Borrower and its Subsidiaries and the June 30, 1996 unaudited consolidated financial statements of the Borrower and its Subsidiaries each heretofore delivered to the Banks, have been prepared in accordance with generally accepted accounting principles applied on a basis consistent with that of the previous fiscal year, except as otherwise noted therein. Each of such financial statements fairly presents on a consolidated basis the financial condition of the Borrower and its Subsidiaries as of the dates thereof and the results of operations for the periods covered thereby. The Borrower and its Subsidiaries, taken as a whole, have no contingent liabilities material to the Borrower and its Subsidiaries, taken as a whole, other than those disclosed in such financial statements referred to in this Section 5.4 or in comments or footnotes thereto, or in any report supplementary thereto, heretofore furnished to the Banks. From October 1, 1995 to the Effective Date there has been no material adverse change in the financial condition, results of operations, Property, or business of the Borrower and its Subsidiaries, taken as a whole.

-29-

35

Section 5.5. No Litigation; No Labor Controversies. (a) There

is no litigation or governmental proceeding pending, or to the knowledge of the Borrower threatened, against the Borrower or any Subsidiary which (individually or in the aggregate) would reasonably be expected to have a material adverse effect on the financial condition, results of operations, Property, or business of the Borrower and its Subsidiaries, taken as a whole.

(b) There are no labor controversies pending or, to the best

knowledge of the Borrower, threatened against the Borrower or any Subsidiary which (insofar as the Borrower may reasonably foresee) would reasonably be expected to have a material adverse effect on the financial condition, results of operations, Property, or business of the Borrower and its Subsidiaries, taken as a whole.

Section 5.6. Taxes. The Borrower and its Subsidiaries have

filed all United States federal tax returns, and all other material tax returns, required to be filed and have paid all taxes due pursuant to such returns or pursuant to any assessment received by the Borrower or any Subsidiary, except such taxes, if any, as are being contested in good faith and for which adequate reserves have been provided. No notices of tax liens have been filed and no claims are being asserted concerning any such taxes, which

liens or claims are material to the financial condition of the Borrower and its Subsidiaries, taken as a whole. The charges, accruals and reserves on the books of the Borrower and its Subsidiaries for any taxes or other governmental charges are reasonably adequate.

Section 5.7. Approvals. No authorization, consent, license, exemption, filing or registration with any court or governmental department, agency or instrumentality, nor any approval or consent of the stockholders of the Borrower or any Subsidiary or from any other Person, is necessary to the valid execution, delivery or performance by the Borrower or any Subsidiary of any Credit Document to which it is a party.

Section 5.8. ERISA. Each of the Borrower and each other member of the Controlled Group has fulfilled its obligations under the minimum funding standards of and is in compliance in all material respects with the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and with the Code to the extent applicable to it and has not incurred any liability to the Pension Benefit Guaranty Corporation ("PBGC") or a Plan under Title IV of ERISA other than a liability to the PBGC for premiums under Section 4007 of ERISA. Neither the Borrower nor any Subsidiary has any contingent liabilities for any post-retirement benefits under a Welfare Plan, other than liability for continuation coverage described in Part 6 of Title I of ERISA.

Section 5.9. Government Regulation. Neither the Borrower nor any Subsidiary is an "investment company" within the meaning of the Investment Company Act of 1940, as amended, or a "holding company", or a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company", within the meaning of the Public Utility Holding Company Act of 1935, as amended.

-30-

36

Section 5.10. Margin Stock. Neither the Borrower nor any Subsidiary is engaged principally, or as one of its primary activities, in the business of extending credit for the purpose of purchasing or carrying margin stock ("margin stock" to have the same meaning herein as in Regulation U of the Board of Governors of the Federal Reserve System). The Borrower will not use the proceeds of any Loan or Letter of Credit in a manner that violates any provision of Regulation U or X of the Board of Governors of the Federal Reserve System.

Section 5.11. Licenses and Authorizations; Compliance with Laws.
(a) The Borrower and each of its Subsidiaries has all necessary governmental licenses, permits and authorizations to own and operate its Properties and to carry on its business as currently conducted and contemplated.

(b) To the best of the Borrower's knowledge, the business and operations of the Borrower and each Subsidiary comply in all respects with all applicable federal, state, regional, county and local laws, statutes, rules, regulations and ordinances relating to public health, safety or the environment, including, without limitation, relating to releases, discharges, emissions or disposals into air, water, land or groundwater, to the withdrawal or use of groundwater, to the use, handling, disposal, treatment, storage, transportation management, or exposure to Hazardous Material, and any regulation, order, injunction, judgment, declaration, notice or demand issued thereunder, except where the failure to so comply would (individually or in the aggregate) reasonably be expected to have a material adverse effect on the financial condition, results of operations, Property, or business of the Borrower and its Subsidiaries, taken as a whole.

(c) Neither the Borrower nor any Subsidiary has given, nor is it required to give, nor has it received, any notice, letter, citation, order, warning, complaint, inquiry, claim or demand to or from any governmental entity or in connection with any court proceeding that: (i) the Borrower or any Subsidiary has violated, or is about to violate, any federal, state, regional, county or local environmental, health or safety statute, law, rule, regulation, ordinance, judgment or order; (ii) there has been a release, or there is a threat of release, of Hazardous Material from the Borrower's or any Subsidiary's real property, facilities, equipment or vehicles; (iii) the Borrower or any Subsidiary may be or is liable, in whole or in part, for the costs of cleaning up, remediating or responding to a release of Hazardous Material; or (iv) any of the Borrower's or any Subsidiary's property or assets are subject to a Lien in favor of any governmental entity for any liability, costs or damages, under any federal, state or local environmental law, rule or regulation arising from, or costs incurred by such governmental entity in response to, a release of a Hazardous Material, to the extent any of the foregoing would reasonably be expected to have a material adverse effect on the financial condition, results of operations, Property, or business of the

Borrower and its Subsidiaries, taken as a whole.

Section 5.12. Ownership of Property; Liens. Schedule 5.12 hereto (as the Borrower may supplement or amend it from time to time) lists all principal real property locations used by the Borrower or any Subsidiary in the conduct of their respective businesses. Each of the Borrower and each Subsidiary has good and marketable title in fee simple to, or valid

-31-

37

leasehold interests in, all such real property, as specified in Schedule 5.12, and good title to or valid leasehold interests in all its other Property. None of the real property listed on Schedule 5.12 is subject to any Lien or Capitalized Lease Obligation except as set forth therein or as permitted in Section 7.9, and none of the Borrower's or any Subsidiary's other Property is subject to any Lien except as permitted in Section 7.9.

Section 5.13. No Burdensome Restrictions; Compliance with Agreements. Neither the Borrower nor any Subsidiary is (a) party or subject to any law, regulation, rule or order, or any Contractual Obligation that (individually or in the aggregate) materially adversely affects, or (insofar as the Borrower may reasonably foresee) may so affect, the business, operations, Property or financial or other condition of the Borrower and its Subsidiaries, taken as a whole or (b) in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any agreement to which it is a party, which default would reasonably be expected to have a material adverse effect on the financial condition, results of operations, Property, or business of the Borrower and its Subsidiaries, taken as a whole.

Section 5.14. Full Disclosure. All information heretofore furnished by the Borrower or any Subsidiary to the Agent or any Bank for purposes of or in connection with the Credit Documents or any transaction contemplated thereby is, and all such information hereafter furnished by the Borrower or any Subsidiary to the Agent or any Bank will be, true and accurate in all material respects and not misleading on the date as of which such information is stated or certified. The Borrower has disclosed to the Banks in writing any and all facts that materially and adversely affect the business, operations or financial condition of the Borrower and its Subsidiaries, taken as a whole, or the ability of the Borrower to perform its obligations under the Credit Documents.

SECTION 6. CONDITIONS PRECEDENT.

The obligation of each Bank to advance, continue, or convert any Loan (other than the continuation of, or conversion into, a Domestic Rate Loan), or of the Agent to issue, extend the expiration date (including by not giving notice of non-renewal) of or increase the amount of any Letter of Credit, shall be subject to the following conditions precedent:

Section 6.1. Initial Credit Event. Before or concurrently with the initial Credit Event:

(a) The Agent shall have received for each Bank the favorable written opinions of (i) George Vinyard, General Counsel to the Borrower, in substantially the form attached hereto as Exhibit I-1 and (ii) Mayer Brown & Platt, special Illinois counsel to the Borrower, in substantially the form attached hereto as Exhibit I-2;

(b) The Agent shall have received for each Bank copies of the Borrower's Certificate of Incorporation and bylaws (or comparable constituent documents) and any amendments thereto, certified in each instance by its Secretary or Assistant Secretary;

-32-

38

(c) The Agent shall have received for each Bank copies of resolutions in the Borrower's Board of Directors authorizing the execution and delivery of the Credit Documents to which it is a party on the Effective Date and the consummation of the transactions contemplated thereby together with specimen signatures of the persons authorized to execute such documents on the Borrower's behalf, all certified in each instance by its Secretary or Assistant Secretary;

(d) The Agent shall have received for each Bank such Bank's duly executed Committed Note and Bid Note of the Borrower dated the date hereof and otherwise in compliance with the provisions of Section 1.16 hereof;

(e) The Agent shall have received for each Bank a list of the Borrower's Authorized Representatives; and

(f) All legal matters incident to the execution and delivery of the Credit Documents shall be satisfactory to the Banks.

Section 6.2. All Credit Events. As of the time of each Credit Event hereunder:

(a) In the case of a Borrowing, the Agent shall have received the notice required by Section 1.5 hereof (including any deemed notice under Section 1.5(c)) or 1.9 hereof, as applicable, in the case of the issuance of any Letter of Credit the Agent shall have received a duly completed Application for a Letter of Credit and, in the case of an extension or increase in the amount of a Letter of Credit, a written request therefor, in a form acceptable to the Agent;

(b) In the case of a Credit Event other than a Refunding Borrowing or an extension of an existing Letter of Credit, each of the representations and warranties set forth in Section 5 (except for the last sentence of Section 5.4 and Section 5.5) hereof shall be and remain true and correct in all material respects as of said time, except that if any such representation or warranty relates solely to an earlier date it need only remain true as of such date;

(c) In the case of a Credit Event other than a Refunding Borrowing in Domestic Rate Loans or an extension of an existing Letter of Credit, the Borrower shall be in full compliance with all of the terms and conditions hereof, and no Default or Event of Default shall have occurred and be continuing or would occur as a result of such Credit Event;

(d) Such Credit Event shall not violate any order, judgment or decree of any court or other authority or any provision of law or regulation applicable to any Bank (including, without limitation, Regulation U of the Board of Governors of the Federal Reserve System); and

(e) In the case of a Credit Event other than a Refunding Borrowing or an extension of an existing Letter of Credit, the sum of (a) the outstanding principal

-33-

39

amount of Loans denominated in U.S. Dollars, (b) the outstanding L/C Obligations, and (c) the U.S. Dollar Equivalent of all Loans denominated in an Alternative Currency, shall not, after giving effect to such Credit Event, exceed the Revolving Credit Commitments then in effect.

Each request for a Borrowing (other than a Refunding Borrowing) hereunder and each request for the issuance of, or increase in the amount of, a Letter of Credit shall be deemed to be a representation and warranty by the Borrower on the date of such Credit Event as to the facts specified in paragraphs (b) and (c) of this Section 6.2.

SECTION 7. COVENANTS.

The Borrower covenants and agrees that, so long as any Note or any L/C Obligation is outstanding hereunder, or any Commitment is available to or in use by the Borrower hereunder, except to the extent compliance in any case is waived in writing by the Required Banks:

Section 7.1. Corporate Existence; Subsidiaries. The Borrower shall, and shall cause each of its Material Subsidiaries to, preserve and maintain its corporate existence, subject to the provisions of Section 7.12 hereof.

Section 7.2. Maintenance. The Borrower will maintain, preserve and keep its plants, properties and equipment deemed by it necessary to the proper conduct of its business in reasonably good repair, working order and condition and will from time to time make all reasonably necessary repairs,

renewals, replacements, additions and betterments thereto so that at all times such plants, properties and equipment shall be reasonably preserved and maintained, and the Borrower will cause each of its Material Subsidiaries to do so in respect of Property owned or used by it; provided, however, that nothing in this Section 7.2 shall prevent the Borrower or a Material Subsidiary from discontinuing the operation or maintenance of any such Properties if such discontinuance is, in the judgment of the Borrower, desirable in the conduct of its business or the business of its Material Subsidiary.

Section 7.3. Taxes. The Borrower will duly pay and discharge, and will cause each of its Subsidiaries duly to pay and discharge, all material taxes, rates, assessments, fees and governmental charges upon or against it or against its Properties, in each case before the same becomes delinquent and before penalties accrue thereon, unless and to the extent that the same is being contested in good faith by appropriate proceedings and reserves in conformity with GAAP have been provided therefor on the books of the Borrower.

Section 7.4. ERISA. The Borrower will, and will cause each of its Subsidiaries to, promptly pay and discharge all obligations and liabilities arising under ERISA of a character which if unpaid or unperformed might result in the imposition of a Lien against any of its properties or assets and will promptly notify the Agent of (i) the occurrence of any reportable event (as defined in ERISA) affecting a Plan, other than any such event of which

-34-

40

the PBGC has waived notice by regulation, (ii) receipt of any notice from PBGC of its intention to seek termination of any Plan or appointment of a trustee therefor, (iii) its or any of its Subsidiaries' intention to terminate or withdraw from any Plan, and (iv) the occurrence of any event affecting any Plan which could result in the incurrence by the Borrower or any of its Subsidiaries of any material liability, fine or penalty, or any material increase in the contingent liability of the Borrower or any of its Subsidiaries under any post-retirement Welfare Plan benefit. The Agent will promptly distribute to each Bank any notice it receives from the Borrower pursuant to this Section 7.4.

Section 7.5. Insurance. The Borrower will insure, and keep insured, and will cause each of its Subsidiaries to insure, and keep insured, with good and responsible insurance companies, all insurable Property owned by it of a character usually insured by companies similarly situated and operating like Property. To the extent usually insured (subject to self-insured retentions) by companies similarly situated and conducting similar businesses, the Borrower will also insure, and cause each of its Subsidiaries to insure, employers' and public and product liability risks with good and responsible insurance companies. The Borrower will upon request of any Bank furnish to such Bank a summary setting forth the nature and extent of the insurance maintained pursuant to this Section 7.5.

Section 7.6. Financial Reports and Other Information. (a) The Borrower will maintain a system of accounting in accordance with GAAP and will furnish to the Agent and its respective duly authorized representatives such information respecting the business and financial condition of the Borrower and its Subsidiaries as any Bank may reasonably request; and without any request, the Borrower will furnish each of the following to the Agent (with sufficient copies for each Bank):

(i) within 60 days after the end of each of the first three quarterly fiscal periods of the Borrower, a copy of the Borrower's Form 10-Q Report filed with the SEC;

(ii) within 100 days after the end of each fiscal year of the Borrower, a copy of the Borrower's Form 10-K Report filed with the SEC, prepared by the Borrower in accordance with GAAP and certified by independent public accountants of recognized national standing selected by the Borrower;

(iii) promptly after the sending or filing thereof, copies of all proxy statements, financial statements and reports the Borrower sends to its shareholders, and copies of all other regular, periodic and special reports and all registration statements the Borrower files with the SEC or any successor thereto, or with any national securities exchange;

(iv) an updated Schedule 5.2 along with the financial statements delivered under subsection (i) or (ii) above, as applicable, for any calendar quarter during which there is a change in any of the facts specified in Schedule 5.2 hereto, as then most

41

(v) within 60 days after the end of each quarterly fiscal period of the Borrower, a certificate (which may be the Compliance Certificate) calculating the Borrower's Leverage Ratio as of the last day of such quarterly fiscal period.

(b) Each financial statement furnished to the Banks pursuant to subsection (i) or (ii) of this Section 7.6 shall be accompanied by a Compliance Certificate in the form of Exhibit C hereto signed by the Borrower's chief financial officer or treasurer.

(c) The Borrower will promptly (and in any event within five Business Days after an officer of the Borrower has knowledge thereof) give notice to the Agent and each Bank:

(i) of the occurrence of any Change of Control Event, Default or Event of Default;

(ii) of any default or event of default under any material Contractual Obligation of the Borrower or any of its Material Subsidiaries;

(iii) of a material adverse change in the business, operations, Property or financial or other condition of the Borrower and its Subsidiaries, taken as a whole; and

(iv) of any litigation or governmental proceeding of the type described in Section 5.5 hereof.

Section 7.7. Bank Inspection Rights. Upon reasonable notice from any Bank, the Borrower will permit such Bank (and such Persons as any Bank may designate) during normal business hours to visit and inspect, under the Borrower's guidance, any of the properties of the Borrower or any of its Subsidiaries, to examine all of their books of account, records, reports and other papers, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers, employees and independent public accountants (and by this provision the Borrower authorizes such accountants to discuss with the Banks (and such Persons as any Bank may designate) the finances and affairs of the Borrower and its Subsidiaries) all at such reasonable times and as often as may be reasonably requested.

Section 7.8. Conduct of Business. Neither the Borrower nor any Subsidiary will engage in any line of business if, as a result, the general nature of the business of the Borrower and its Subsidiaries, taken as a whole, would be substantially changed from the development, manufacture, distribution and sale of data communications equipment and computer and other equipment, software, systems, technology and services related to communications, computation or information access.

Section 7.9. Liens. The Borrower will not, and will not permit any of its Subsidiaries to, create, incur, permit to exist or to be incurred any Lien of any kind on any Property owned by the Borrower or any Subsidiary; provided, however, that this Section 7.9 shall not apply to nor operate to prevent:

42

(a) Liens arising by operation of law in connection with worker's compensation, unemployment insurance, social security obligations, taxes, assessments, statutory obligations or other similar charges, good faith deposits, pledges or Liens in connection with bids, tenders, contracts or leases to which the Borrower or any Subsidiary is a party (other than contracts for borrowed money), or other deposits required to be made in the ordinary course of business; provided that in each case the obligation secured is not overdue or, if overdue, is being contested in good faith by appropriate proceedings and for which reserves in conformity with GAAP have been provided on the books of the Borrower;

(b) mechanics', workmen's, materialmen's, landlords', carriers' or other similar Liens arising in the ordinary course of business (or deposits to obtain the release of such Liens) securing obligations not due or, if due, being contested in good faith by appropriate proceedings and for which reserves in conformity with GAAP have been provided on the books of the Borrower;

(c) Liens for taxes or assessments or other government charges or levies on the Borrower or any Subsidiary of the Borrower or their respective Properties, not yet due or delinquent, or which can thereafter be paid without penalty, or which are being contested in good faith by appropriate proceedings and for which reserves in conformity with GAAP have been provided on the books of the Borrower;

(d) Liens arising out of judgments or awards against the Borrower or any Subsidiary of the Borrower, or in connection with surety or appeal bonds in connection with bonding such judgments or awards, the time for appeal from which or petition for rehearing of which shall not have expired or with respect to which the Borrower or such Subsidiary shall be prosecuting an appeal or proceeding for review, and with respect to which it shall have obtained a stay of execution pending such appeal or proceeding for review; provided that the aggregate amount of liabilities (including interest and penalties, if any) of the Borrower and its Subsidiaries secured by such Liens shall not exceed \$10,000,000 at any one time outstanding;

(e) Liens at any one time outstanding upon any Property acquired by the Borrower or any Subsidiary of the Borrower to secure any Indebtedness of the Borrower or any Subsidiary incurred at the time of or within 90 days after the acquisition of such Property to finance the purchase price of such Property, provided that any such Lien shall apply only to the Property that was so acquired and the aggregate principal amount of Indebtedness secured by such Liens shall not exceed 5% of Consolidated Tangible Assets;

(f) Minor title exceptions, survey exceptions or minor encumbrances, easements or reservations, covenants, conditions, restrictions, encroachments or rights of others for rights-of-way, utilities and other similar purposes, or zoning or other restrictions as to the use of real properties which are necessary for the conduct of the activities of the Borrower and any Subsidiary of the Borrower or which customarily exist on properties of corporations engaged in similar activities and similarly situated

-37-

43

and which do not in any event materially impair their use in the operation of the business of the Borrower or any Subsidiary of the Borrower;

(g) Liens existing on the date hereof and listed on Schedule 7.9 hereto;

(h) Liens of or upon any Property of a Person existing at the time such Person is merged with or into or consolidated with the Borrower or any of its Subsidiaries or existing at the time of a sale or transfer of the properties of a Person (or division thereof) as an entirety or substantially as an entirety to the Borrower or any of its Subsidiaries and not created in contemplation of such transaction; provided that the aggregate principal amount of Indebtedness secured by such Liens shall not exceed \$25,000,000 at any one time outstanding;

(i) Any extension, renewal or replacement (or successive extensions, renewals or replacements) in whole or in part of any Lien referred to in the foregoing paragraphs (a) through (g), inclusive, provided, however, that the principal amount of Indebtedness secured thereby shall not exceed the principal amount of Indebtedness so secured at the time of such extension, renewal or replacement, and that such extension, renewal or replacement shall be limited to the Property which was subject to the Lien so extended, renewed or replaced; and

(j) Liens not otherwise permitted under this Section 7.9 securing Indebtedness in an aggregate principal amount not exceeding 10% of Consolidated Tangible Assets at any time outstanding;

provided further that no Lien permitted under Subsections (a) through (j) above

may apply to any capital stock of any Subsidiary.

Section 7.10. Use of Proceeds; Regulation U. The proceeds of each Borrowing, and the credit provided by Letters of Credit, will be used by the Borrower for working capital and other general corporate purposes including acquisitions of businesses and other investments permitted by Section 7.14. At no time will margin stock (as defined in Section 5.10 hereof) constitute 25% or more of the assets of the Borrower or of the Borrower and its Subsidiaries, taken as a whole, subject to Sections 7.9, 7.12, or any other restriction herein on the pledge or other disposition of property of the Borrower or any of its Subsidiaries.

Section 7.11. Sales and Leasebacks. The Borrower will not, nor will it permit any Subsidiary to, enter into any arrangement with any bank, insurance company or other lender or investor providing for the leasing by the Borrower or any Subsidiary of any Property theretofore owned by it and which has been or is to be sold or transferred by such owner to such lender or investor, except for such transactions that relate to any manufacturing plant or equipment and which are permitted under Sections 7.12 and 7.19 hereof.

-38-

44

Section 7.12. Mergers, Consolidations and Sales of Assets. The Borrower will not, and will not permit any of its Subsidiaries to, (i) consolidate with or be a party to a merger with any other Person or (ii) sell, lease or otherwise dispose of all or a "substantial part" of the consolidated assets of the Borrower and its Subsidiaries; provided, however, that:

(1) any Subsidiary of the Borrower may merge or consolidate with or into or sell, lease or otherwise convey all or a substantial part of its assets to the Borrower or any Subsidiary (including any Person that, as a result of such transaction, becomes a Subsidiary) of which the Borrower holds either directly or indirectly at least the same percentage equity ownership; provided that in any such merger or consolidation involving the Borrower, the Borrower shall be the surviving or continuing corporation; and

(2) the Borrower or any Subsidiary of the Borrower may consolidate or merge with any other Person if the Borrower or such Subsidiary or, in the case of such a transaction involving the Borrower, the Borrower is the surviving or continuing corporation and at the time of such consolidation or merger, and after giving effect thereto, no Default or Event of Default shall have occurred and be continuing.

As used in this Section 7.12, a sale, lease, transfer or disposition of assets shall be deemed to be of a "substantial part" of the consolidated assets of the Borrower and its Subsidiaries if the fair market value of such assets, when added to the fair market value of all other assets sold, leased, transferred or disposed of by the Borrower and its Subsidiaries (other than inventory in the ordinary course of business) during the 12-month period ending with the date of such sale exceeds 10% of Consolidated Tangible Assets determined as of the last day of the fiscal quarter most recently completed before the date of such sale; provided that during any 12-month period the Borrower and its Subsidiaries may sell, lease, transfer or otherwise dispose of up to 25% of Consolidated Tangible Assets determined as of the last day of the fiscal quarter most recently completed before the date of such sale if (i) all such assets sold, leased, transferred or otherwise disposed of in excess of 10% of Consolidated Tangible Assets at the end of the fiscal quarter most recently completed before the date of such sale are so disposed of at fair market value as determined by the Board of Directors of the Borrower, (ii) the proceeds from such disposition are received in cash or cash equivalents or in Property that is readily usable in the business of the Borrower and its subsidiaries or transferable in exchange for Property that is readily usable in the business of the Borrower and its Subsidiaries, and (iii) such proceeds from the disposition are reinvested into the business of the Borrower and its Subsidiaries and not used to pay dividends or make any other distributions to shareholders.

Section 7.13. Use of Property and Facilities; Environmental, Health and Safety Laws. (a) The Borrower will, and will cause each of its Subsidiaries to, comply in all material respects with the requirements of all federal, state and local environmental and health and safety laws, rules, regulations and orders applicable to or pertaining to the Properties or business operations of the Borrower or any Subsidiary of the Borrower, except where the

45

failure to so comply would (individually or in the aggregate) reasonably be expected to have a material adverse effect on the financial condition, results of operations, Property, or business of the Borrower and its Subsidiaries, taken as a whole. Without limiting the foregoing, the Borrower will not, and will not permit any Person to, except in accordance with applicable law, dispose of any Hazardous Material into, onto or from any real property owned or operated by the Borrower or any of its Subsidiaries, except where the failure to so comply would (individually or in the aggregate) reasonably be expected to have a material adverse effect on the financial condition, results of operations, Property, or business of the Borrower and its Subsidiaries, taken as a whole.

(b) The Borrower will promptly provide the Banks with copies of any notice or other instrument of the type described in Section 5.11(c) hereof, and in no event later than five (5) Business Days after an officer of the Borrower receives such notice or instrument.

Section 7.14. Investments, Acquisitions, Loans, Advances and Guaranties. The Borrower will not, nor will it permit any Subsidiary to, directly or indirectly, make, retain or have outstanding any investments (whether through purchase of stock or obligations or otherwise) in, or loans or advances to, any other Person, or acquire all or any substantial part of the assets or business of any other Person or division thereof, or be or become liable as endorser, guarantor, surety or otherwise for any debt, obligation or undertaking of any other Person, or otherwise agree to provide funds for payment of the obligations of another, or supply funds thereto or invest therein or otherwise assure a creditor of another against loss, or apply for or become liable to the issuer of a letter of credit which supports an obligation of another, or subordinate any claim or demand it may have to the claim or demand of any other Person (cumulatively, all of the foregoing, being "Investments"); provided, however, that the foregoing provisions shall not apply to nor operate to prevent:

(a) purchases of Permitted Liquid Investments;

(b) ownership of stock, obligations or securities received in settlement of debts (created in the ordinary course of business) owing to the Borrower or any Subsidiary;

(c) endorsements of negotiable instruments for collection in the ordinary course of business;

(d) loans and advances to employees in the ordinary course of business for travel, relocation, and similar purposes;

(e) Investments in the Borrower or Subsidiaries, provided that Investments in Subsidiaries that only become Subsidiaries through such Investment must comply with the provisions of subsection (f) below;

(f) acquisitions of all or any substantial part of the assets or business of any other Person or division thereof, or of all or a substantial part of the Voting Stock of

46

a Person, so long as (i) no Default or Event of Default exists or would exist after giving effect to such acquisition, (ii) the Board of Directors or other governing body of such Person whose Property or Voting Stock is being so acquired has approved the terms of such acquisition and (iii) the Person or division so acquired is engaged in or the asset so purchased is used in, the development, manufacture, distribution, or sale of data communications equipment or computer or other equipment, software, systems, technology or services related to communications, computation or information access; or

(g) Investments not otherwise permitted under this Section 7.14 in an aggregate principal amount at any one time outstanding not to exceed \$25,000,000.

Section 7.15. Consolidated Tangible Net Worth. The Borrower will at all times maintain a Consolidated Tangible Net Worth of not less than

\$503,850,000 plus 50% of the cumulative positive Consolidated Net Income earned during (i) the fourth fiscal quarter of the Borrower's 1996 fiscal year (without subtraction for any negative Consolidated Net Income for such fiscal quarter) and (ii) each fiscal year ending on or after September 28, 1997 (but without subtraction for any negative Consolidated Net Income for any such fiscal year).

Section 7.16. Leverage Ratio. The Borrower will at all times maintain a Leverage Ratio of not more than 0.50 to 1.00.

Section 7.17. Total Debt to EBITDA. The Borrower shall not as of the last day of any fiscal quarter of the Borrower permit the ratio of Total Debt as of such day to EBITDA for the four fiscal quarters then ended to be greater than 2.0 to 1.0.

Section 7.18. Dividends and Other Shareholder Distributions. The Borrower shall only declare or pay any dividends or make a distribution of any kind (including by redemption or purchase) on its outstanding capital stock, if no Default or Event of Default exists prior to or would result after giving effect to such action.

Section 7.19. Subsidiary Debt. The aggregate principal amount of Debt owed by Subsidiaries to Persons other than the Borrower and other Subsidiaries shall not at any time exceed 15% of Consolidated Tangible Assets.

Section 7.20. Transactions with Affiliates. The Borrower will not, and will not permit any of its Subsidiaries to, enter into or be a party to any material transaction or arrangement (where "material" means material for the Borrower and its Subsidiaries, taken as a whole) with any Affiliate of such Person (other than the Borrower or any of its Subsidiaries), including without limitation, the purchase from, sale to or exchange of Property with, any merger or consolidation with or into, or the rendering of any service by or for, any Affiliate, except in the ordinary course of 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 be obtained in a comparable arm's-length transaction with a Person other than an Affiliate.

-41-

47

Section 7.21. No Subsidiary Guaranties. No Subsidiary shall incur or at any time have outstanding a Guaranty of any Indebtedness of the Borrower.

Section 7.22. Compliance with Laws. Without limiting any of the other covenants of the Borrower in this Section 7, the Borrower will, and will cause each of its Subsidiaries to, conduct its business, and otherwise be, in compliance with all applicable laws, regulations, ordinances and orders of any governmental or judicial authorities; provided, however, that neither the Borrower nor any Subsidiary of the Borrower shall be required to comply with any such law, regulation, ordinance or order if (x) it shall be contesting such law, regulation, ordinance or order in good faith by appropriate proceedings and reserves in conformity with GAAP have been provided therefor on the books of the Borrower or such Subsidiary, as the case may be, or (y) the failure to comply therewith could not, in the aggregate, reasonably be expected to have a material adverse effect on the financial condition, results of operations, Property or other business of the Borrower and its Subsidiaries, taken as a whole.

SECTION 8. EVENTS OF DEFAULT AND REMEDIES.

Section 8.1. Events of Default. Any one or more of the following shall constitute an Event of Default:

(a) default (x) in the payment when due of the principal amount of any Loan or of any Reimbursement Obligation or (y) for a period of three (3) Business Days in the payment when due of interest or of any other Obligation;

(b) default by the Borrower or any Subsidiary in the observance or performance of any covenant set forth in Section 7.1, 7.6(c), 7.9 through 7.12, or 7.14 through 7.21 hereof;

(c) default by the Borrower or any Subsidiary in the observance or performance of any provision hereof or of any other Credit Document not mentioned in (a) or (b) above, which is not remedied within thirty (30) days after notice thereof to the Borrower by the Agent or any Bank;

(d) (i) failure to pay when due Debt in an aggregate principal amount of \$10,000,000 or more of the Borrower or any Subsidiary or (ii) default shall occur under one or more indentures, agreements or other instruments under which any Debt of the Borrower or any Subsidiary in an aggregate principal amount of \$10,000,000 or more may be issued or created and such default shall continue for a period of time sufficient to permit the holder or beneficiary of such Debt or a trustee therefor to cause the acceleration of the maturity of any such Debt or any mandatory unscheduled prepayment, purchase or funding thereof;

(e) any representation or warranty made herein or in any other Credit Document by the Borrower or any Subsidiary, or in any statement or certificate furnished pursuant hereto or pursuant to any other Credit Document by the Borrower

-42-

48

or any Subsidiary, or in connection with any Credit Document, proves false in any material respect as of the date of the issuance or making, or deemed making or issuance, thereof;

(f) the Borrower or any Material Subsidiary shall (i) have had entered involuntarily against it an order for relief under the United States Bankruptcy Code, as amended, or have had taken against it any analogous action under any other applicable law relating to bankruptcy or insolvency, (ii) fail to pay, or admit in writing its inability to pay, its debts generally as they become due, (iii) make an assignment for the benefit of creditors, (iv) apply for, seek, consent to, or acquiesce in, the appointment of a receiver, custodian, trustee, examiner, liquidator or similar official for it or any substantial part of its Property, (v) institute any proceeding seeking to have entered against it an order for relief under the United States Bankruptcy Code, as amended, to adjudicate it insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fail to file an answer or other pleading denying the material allegations of any such proceeding filed against it, (vi) take any corporate action in furtherance of any matter described in parts (i)-(v) above, or (vii) fail to contest in good faith any appointment or proceeding described in Section 8.1(g) hereof;

(g) a custodian, receiver, trustee, examiner, liquidator or similar official shall be appointed for the Borrower or any Material Subsidiary or any substantial part of any of their Property, or a proceeding described in Section 8.1(f) (v) shall be instituted against the Borrower or any Material Subsidiary, and such appointment continues undischarged or such proceeding continues undismissed or unstayed for a period of sixty (60) days;

(h) the Borrower or any Material Subsidiary shall fail within thirty (30) days to pay, bond or otherwise discharge any judgment or order for the payment of money in excess of \$10,000,000, which is not stayed on appeal or otherwise being appropriately contested in good faith in a manner that stays execution thereon;

(i) the Borrower or any other member of the Controlled Group shall fail to pay when due an amount or amounts aggregating in excess of \$5,000,000 which it shall have become liable to pay to the PBGC or to a Plan under Title IV of ERISA; or notice of intent to terminate a Plan or Plans having aggregate Unfunded Vested Liabilities in excess of \$5,000,000 (collectively, a "Material Plan") shall be filed under Title IV of ERISA by the Borrower or any Subsidiary or any other member of the Controlled Group, any plan administrator or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate or to cause a trustee to be appointed to administer any Material Plan or a proceeding shall be instituted by a fiduciary of any Material Plan against the Borrower or any other member of the Controlled Group to enforce Section 515 or 4219(c) (5) of ERISA and such proceeding shall not have been dismissed within thirty (30) days thereafter; or a

49

condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any Material Plan must be terminated; or

(j) the Borrower, any Person acting on behalf of the Borrower, or any governmental authority challenges the validity of any Credit Document or the Borrower's obligations thereunder or any Credit Document ceases to be in full force and effect.

Section 8.2. Non-Bankruptcy Defaults. When any Event of Default other than those described in subsections (f) or (g) of Section 8.1 hereof has occurred and is continuing, the Agent shall, by written notice to the Borrower: (a) if so directed by the Required Banks, terminate the remaining Commitments and all other obligations of the Banks hereunder on the date stated in such notice (which may be the date thereof); (b) if so directed by the Required Banks, declare the principal of and the accrued interest on all outstanding Notes to be forthwith due and payable and thereupon all outstanding Notes, including both principal and interest thereon, shall be and become immediately due and payable together with all other amounts payable under the Credit Documents without further demand, presentment, protest or notice of any kind; and (c) if so directed by the Required Banks, demand that the Borrower immediately pay to the Agent, subject to Section 8.4, the full amount then available for drawing under each or any Letter of Credit, and the Borrower agrees to immediately make such payment and acknowledges and agrees that the Banks would not have an adequate remedy at law for failure by the Borrower to honor any such demand and that the Agent, for the benefit of the Banks, shall have the right to require the Borrower to specifically perform such undertaking whether or not any drawings or other demands for payment have been made under any Letter of Credit. The Agent, after giving notice to the Borrower pursuant to Section 8.1(c) or this Section 8.2, shall also promptly send a copy of such notice to the other Banks, but the failure to do so shall not impair or annul the effect of such notice.

Section 8.3. Bankruptcy Defaults. When any Event of Default described in subsections (f) or (g) of Section 8.1 hereof has occurred and is continuing, then all outstanding Notes shall immediately become due and payable together with all other amounts payable under the Credit Documents without presentment, demand, protest or notice of any kind, the obligation of the Banks to extend further credit pursuant to any of the terms hereof shall immediately terminate and the Borrower shall immediately pay to the Agent, subject to Section 8.4, the full amount then available for drawing under all outstanding Letters of Credit, the Borrower acknowledging that the Banks would not have an adequate remedy at law for failure by the Borrower to honor any such demand and that the Banks, and the Agent on their behalf, shall have the right to require the Borrower to specifically perform such undertaking whether or not any draws or other demands for payment have been made under any of the Letters of Credit.

Section 8.4. Collateral for Undrawn Letters of Credit. (a) If the prepayment of the amount available for drawing under any or all outstanding Letters of Credit is required under Section 1.14(c) or under Section 8.2 or 8.3 above, the Borrower shall forthwith pay

50

the amount required to be so prepaid, to be held by the Agent as provided in subsection (b) below.

(b) All amounts prepaid pursuant to subsection (a) above shall be held by the Agent in a separate collateral account (such account, and the credit balances, properties and any investments from time to time held therein, and any substitutions for such account, any certificate of deposit or other instrument evidencing any of the foregoing and all proceeds of and earnings on any of the foregoing being collectively called the "Account") as security for, and for application by the Agent (to the extent available) to, the reimbursement of any payment under any Letter of Credit then or thereafter made by the Agent, and to the payment of the unpaid balance of any Loans and all other Obligations. The Account shall be held in the name of and subject to the exclusive dominion and control of the Agent for the benefit of the Agent and the Banks. If and when requested by the Borrower, the Agent shall invest funds held in the Account from time to time in direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America with a remaining maturity of one month or less, provided that the Agent is irrevocably authorized to sell investments held in the Account when and as required to make payments out of the Account for

application to amounts due and owing from the Borrower to the Agent or Banks; provided, however, that if (A) (i) the Borrower shall have made payment of all such obligations referred to in subsection (a) above, (ii) all relevant preference or other disgorgement periods relating to the receipt of such payments have passed, and (iii) no Letters of Credit, Commitments, Loans or other Obligations remain outstanding hereunder or (B) the Commitments have not terminated and there does not then exist any Event of Default, then the Agent shall repay to the Borrower any remaining amounts held in the Account.

Section 8.5. Notice of Default. The Agent shall give notice to the Borrower under Section 8.1(c) hereof promptly upon being requested to do so by any Bank and shall thereupon notify all the Banks thereof.

Section 8.6. Expenses. The Borrower agrees to pay to the Agent and each Bank, and any other holder of any Note outstanding hereunder, all expenses reasonably incurred or paid by the Agent and such Bank or any such holder, including reasonable attorneys' fees and court costs, in connection with any Default or Event of Default by the Borrower hereunder or in connection with the enforcement of any of the Credit Documents.

SECTION 9. CHANGE IN CIRCUMSTANCES.

Section 9.1. Change of Law. Notwithstanding any other provisions of this Agreement or any Note, if at any time any change in applicable law or regulation or in the interpretation thereof makes it unlawful for any Bank to make or continue to maintain Eurocurrency Loans or Stated Rate Bid Loans denominated in an Alternative Currency or to perform its obligations as contemplated hereby, such Bank shall promptly give notice thereof to the Borrower and such Bank's obligations to make or maintain Eurocurrency Loans under this Agreement shall terminate until it is no longer unlawful for such Bank to make or maintain Eurocurrency Loans. If such Bank shall determine that it may not lawfully

-45-

51

continue to maintain and fund any of its outstanding Eurocurrency Loans or Stated Rate Bid Loans denominated in an Alternative Currency to maturity, the Borrower shall prepay on demand the outstanding principal amount of any such affected Eurocurrency Loans or Stated Rate Bid Loans denominated in an Alternative Currency, together with all interest accrued thereon and all other amounts then due and payable to such Bank under this Agreement; provided, however, subject to all of the terms and conditions of this Agreement, the Borrower may then elect to borrow the principal amount of the affected Fixed Rate Loans from such Bank by means of Domestic Rate Loans from such Bank, which Domestic Rate Loans shall not be made ratably by the Banks but only from such affected Bank.

Section 9.2. Unavailability of Deposits or Inability to Ascertain, or Inadequacy of, LIBOR. If on or prior to the first day of any Interest Period for any Borrowing of Eurocurrency Loans:

(a) the Agent is advised by two or more Reference Banks that deposits in U.S. Dollars or the applicable Alternative Currency (in the applicable amounts) are not being offered to it in the eurocurrency interbank market for such Interest Period, or that by reason of circumstances affecting the interbank eurocurrency market adequate and reasonable means do not exist for ascertaining the applicable LIBOR, or

(b) Banks having 20% or more of the aggregate amount of the Revolving Credit Commitments advise or, in the case of a Eurocurrency Bid Loan, any Bank required to make a Eurocurrency Bid Loan advises the Agent that (i) LIBOR as determined by the Agent will not adequately and fairly reflect the cost to such Banks or Bank of funding their or its Eurocurrency Loans or Loan for such Interest Period or (ii) that the making or funding of Eurocurrency Loans in the relevant currency has become impracticable, in either case as a result of an event occurring after the date of the Agreement which in the opinion of such Banks or Bank materially affects such Loans,

then the Agent shall forthwith give notice thereof to the Borrower and the Banks, whereupon until the Agent notifies the Borrower that the circumstances giving rise to such suspension no longer exist, the obligations of the Banks or of the relevant Bank to make Eurocurrency Loans in the currency so affected shall be suspended.

Section 9.3. Increased Cost and Reduced Return. (a) If, on or after (x) the date hereof, in the case of Committed Loans or (y) the date of

the related Offer, in the case of a Bid Loan, 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 Bank (or its Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency:

(i) shall subject any Bank (or its Lending Office) to any tax, duty or other charge with respect to its Fixed Rate Loans, its Notes, its Letter(s) of Credit, or its

-46-

52

participation in any thereof, any Reimbursement Obligations owed to it or its obligation to make Fixed Rate Loans, issue a Letter of Credit, or to participate therein, or shall change the basis of taxation of payments to any Bank (or its Lending Office) of the principal of or interest on its Fixed Rate Loans, Letter(s) of Credit, or participations therein or any other amounts due under this Agreement in respect of its Fixed Rate Loans, Letter(s) of Credit, or participations therein, any Reimbursement Obligations owed to it, or its obligation to make Fixed Rate Loans, issue a Letter of Credit, or acquire participations therein (except for changes in the rate of tax on the overall net income of such Bank or its Lending Office imposed by the jurisdiction in which such Bank's principal executive office or Lending Office is located); or

(ii) shall impose, modify or deem applicable any reserve, special deposit or similar requirement (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System, but excluding with respect to any Eurocurrency Loans any such requirement included in an applicable Eurocurrency Reserve Percentage) against assets of, deposits with or for the account of, or credit extended by, any Bank (or its Lending Office) or shall impose on any Bank (or its Lending Office) or on the interbank market any other condition affecting its Fixed Rate Loans, its Notes, its Letter(s) of Credit, or its participation in any thereof, any Reimbursement Obligation owed to it, or its obligation to make Fixed Rate Loans, to issue a Letter of Credit, or to participate therein;

and the result of any of the foregoing is to increase the cost to such Bank (or its Lending Office) of making or maintaining any Fixed Rate Loan, issuing or maintaining a Letter of Credit, or participating therein, or to reduce the amount of any sum received or receivable by such Bank (or its Lending Office) under this Agreement or under its Notes with respect thereto, by an amount deemed by such Bank to be material, then, within fifteen (15) days after demand by such Bank (with a copy to the Agent), the Borrower shall be obligated to pay to such Bank such additional amount or amounts as will compensate such Bank for such increased cost or reduction; provided, however, that such Bank shall promptly notify the Borrower of an event which might cause it to seek compensation, and the Borrower shall be obligated to pay only such compensation which is incurred or which arises after the date 60 days prior to the date such notice is given.

(b) If, after the date hereof, any Bank or the Agent shall have determined that the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change therein (including, without limitation, any revision in the Final Risk-Based Capital Guidelines of the Board of Governors of the Federal Reserve System (12 CFR Part 208, Appendix A; 12 CFR Part 225, Appendix A) or of the Office of the Comptroller of the Currency (12 CFR Part 3, Appendix A), or in any other applicable capital rules heretofore adopted and issued by any governmental authority), 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 Bank (or its Lending Office) 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, has or would have the effect of reducing the rate of return on such Bank's capital, or on the capital

-47-

of any corporation controlling such Bank, as a consequence of its obligations hereunder to a level below that which such Bank could have achieved but for such adoption, change or compliance (taking into consideration such Bank's policies with respect to capital adequacy) by an amount deemed by such Bank to be material, then from time to time, within fifteen (15) days after demand by such Bank (with a copy to the Agent), the Borrower shall pay to such Bank such additional amount or amounts as will compensate such Bank for such reduction; provided, however, that such Bank shall promptly notify the Borrower of an event which might cause it to seek compensation, and the Borrower shall be obligated to pay only such compensation which is incurred or which arises after the date 60 days prior to the date such notice is given.

(c) Each Bank that determines to seek compensation under this Section 9.3 shall notify the Borrower and the Agent of the circumstances that entitle the Bank to such compensation pursuant to this Section 9.3 and will designate a different Lending Office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the judgment of such Bank, be otherwise disadvantageous to such Bank. A certificate of any Bank claiming compensation under this Section 9.3 and setting forth the additional amount or amounts to be paid to it hereunder shall be conclusive in the absence of manifest error. In determining such amount, such Bank may use any reasonable averaging and attribution methods.

Section 9.4. Lending Offices. Each Bank may, at its option, elect to make its Loans hereunder at the branch, office or affiliate specified on the appropriate signature page hereof (each a "Lending Office") for each type of Loan available hereunder or at such other of its branches, offices or affiliates as it may from time to time elect and designate in a written notice to the Borrower and the Agent.

Section 9.5. Discretion of Bank as to Manner of Funding. Notwithstanding any other provision of this Agreement, each Bank shall be entitled to fund and maintain its funding of all or any part of its Loans in any manner it sees fit, it being understood, however, that for the purposes of this Agreement all determinations hereunder shall be made as if each Bank had actually funded and maintained each Eurocurrency Loan through the purchase of deposits of U.S. Dollars or the applicable Alternative Currency in the eurocurrency interbank market having a maturity corresponding to such Loan's Interest Period and bearing an interest rate equal to LIBOR for such Interest Period.

Section 9.6. Substitution of Bank. If (a) any Bank has demanded compensation or given notice of its intention to demand compensation under Section 9.3 hereof or has delivered a notice to the Agent pursuant to Section 9.1 hereof, or (b) the Borrower is required to pay any additional amount to any Bank pursuant to Section 11.1 hereof, and in any such case the Required Banks are not in the same situation, the Borrower shall have the right to seek a substitute bank or banks reasonably satisfactory to the Agent (which may be one or more of the Banks) to replace such Bank under this Agreement. The Bank to be so replaced shall cooperate with the Borrower and substitute bank to accomplish such substitution on the terms of Section 11.12 hereof, provided that such Bank's entire

-48-

Commitment is replaced and such Bank receives in immediately available funds on the date of such assignment the principal of and interest accrued to the date of payment on the Loans made by it hereunder and all other amounts accrued for its account or owed to it hereunder.

SECTION 10. THE AGENT.

Section 10.1. Appointment and Authorization of Agent. Each Bank hereby appoints Harris Trust and Savings Bank as the Agent under the Credit Documents and hereby authorizes the Agent to take such action as Agent on its behalf and to exercise such powers under the Credit Documents as are delegated to the Agent by the terms thereof, together with such powers as are reasonably incidental thereto.

Section 10.2. Agent and its Affiliates. The Agent in its individual capacity as a Bank shall have the same rights and powers under this Agreement and the other Credit Documents as any other Bank and may exercise or refrain from exercising the same as though it were not the Agent, and the Agent and its affiliates may accept deposits from, lend money to, and generally engage in any kind of business with the Borrower or any Affiliate of the Borrower as if it were not the Agent under the Credit Documents. The term "Bank" as used herein and in all other Credit Documents, unless the context

otherwise clearly requires, includes the Agent in its individual capacity as a Bank. References in Section 1 hereof to the Agent's Loans, or to the amount owing to the Agent for which an interest rate is being determined, refer to the Agent in its individual capacity as a Bank.

Section 10.3. Action by Agent. If the Agent receives from the Borrower a written notice pursuant to Section 7.6(c) (i) hereof, the Agent shall promptly give each of the Banks written notice thereof. The obligations of the Agent under the Credit Documents are only those expressly set forth therein. Without limiting the generality of the foregoing, the Agent shall not be required to take any action hereunder with respect to any Default or Event of Default, except as expressly provided in Sections 8.2 and 8.5. In no event, however, shall the Agent be required to take any action in violation of applicable law or of any provision of any Credit Document, and the Agent shall in all cases be fully justified in failing or refusing to act hereunder or under any other Credit Document unless it shall be first indemnified to its reasonable satisfaction by the Banks against any and all costs, expense, and liability which may be incurred by it by reason of taking or continuing to take any such action. The Agent shall be entitled to assume that no Default or Event of Default exists unless notified to the contrary by a Bank or the Borrower. In all cases in which this Agreement and the other Credit Documents do not require the Agent to take certain actions, the Agent shall be fully justified in using its discretion in failing to take or in taking any action hereunder and thereunder.

Section 10.4. Consultation with Experts. The Agent may consult with legal counsel, independent public accountants and other experts selected by it and shall not be liable to the Banks for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts.

-49-

55

Section 10.5. Liability of Agent; Credit Decision. Neither the Agent nor any of its directors, officers, agents, or employees shall be liable for any action taken or not taken by it in connection with the Credit Documents (i) with the consent or at the request of the Required Banks or (ii) in the absence of its own gross negligence or willful misconduct. Neither the Agent nor any of its directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into or verify (i) any statement, warranty or representation made in connection with this Agreement, any other Credit Document or any Credit Event; (ii) the performance or observance of any of the covenants or agreements of the Borrower contained herein or in any other Credit Document; (iii) the satisfaction of any condition specified in Section 6 hereof, except receipt of items required to be delivered to the Agent; or (iv) the validity, effectiveness, genuineness, enforceability, perfection, value, worth or collectability hereof or of any other Credit Document or of any other documents or writing furnished in connection with any Credit Document; and the Agent makes no representation of any kind or character with respect to any such matter mentioned in this sentence. The Agent may execute any of its duties under any of the Credit Documents by or through employees, agents, and attorneys-in-fact and shall not be answerable to the Banks, the Borrower or any other Person for the default or misconduct of any such agents or attorneys-in-fact selected with reasonable care. The Agent shall not incur any liability by acting in reliance upon any notice, consent, certificate, other document or statement (whether written or oral) believed by it to be genuine or to be sent by the proper party or parties. In particular and without limiting any of the foregoing, the Agent shall have no responsibility for confirming the accuracy of any Compliance Certificate or other document or instrument received by it under the Credit Documents. The Agent may treat the payee of any Note as the holder thereof until written notice of transfer shall have been filed with the Agent signed by such payee in form satisfactory to the Agent. Each Bank acknowledges that it has independently and without reliance on the Agent or any other Bank, and based upon such information, investigations and inquiries as it deems appropriate, made its own credit analysis and decision to extend credit to the Borrower in the manner set forth in the Credit Documents. It shall be the responsibility of each Bank to keep itself informed as to the creditworthiness of the Borrower and the Subsidiaries, and the Agent shall have no liability to any Bank with respect thereto.

Section 10.6. Indemnity. The Banks shall ratably, in accordance with their respective Percentages, indemnify and hold the Agent, and its directors, officers, employees, agents and representatives harmless from and against any liabilities, losses, costs or expenses suffered or incurred by it under any Credit Document or in connection with the transactions contemplated thereby, regardless of when asserted or arising, except to the extent they are promptly reimbursed for the same by the Borrower and except to the extent that any event giving rise to a claim was caused by the gross negligence or willful

misconduct of the party seeking to be indemnified. The obligations of the Banks under this Section 10.6 shall survive termination of this Agreement.

Section 10.7. Payments. Unless the Agent shall have been notified by a Bank before the date on which such Bank is scheduled to make payment to the Agent of the proceeds of a Loan (which notice shall be effective upon receipt) that such Bank does not intend to make

-50-

56

such payment, the Agent may assume that such Bank has made such payment when due and the Agent may in reliance upon such assumption (but shall not be required to) make available to the Borrower the proceeds of the Loan to be made by such Bank and, if any Bank has not in fact made such payment to the Agent, such Bank shall, on demand, pay to the Agent the amount made available to the Borrower attributable to such Bank together with interest thereon in respect of each day during the period commencing on the date such amount was made available to the Borrower and ending on (but excluding) the date such Bank pays such amount to the Agent at a rate per annum equal to the Federal Funds Rate or, in the case of a Loan denominated in an Alternative Currency, the cost to the Agent of funding the amount it advanced to fund such Bank's Loan, as determined by the Agent. If such amount is not received from such Bank by the Agent immediately upon demand, the Borrower will, on demand, repay to the Agent the proceeds of the Loan attributable to such Bank with interest thereon at a rate per annum equal to the interest rate applicable to the relevant Loan, but without such payment being considered a payment or prepayment of a Loan under Section 1.17 hereof, so that the Borrower will have no liability under such Section with respect to such payment.

Section 10.8. Resignation of Agent and Successor Agent. The Agent may resign at any time by giving written notice thereof to the Banks and the Borrower. The Borrower, with the consent of the Required Banks, may remove the Agent at any time. Upon any such resignation or removal of the Agent, the Required Banks shall have the right to appoint a successor Agent with the consent of the Borrower. If no successor Agent shall have been so appointed by the Required Banks, and shall have accepted such appointment, within thirty (30) days after the retiring Agent's giving of notice of resignation or the Borrower giving notice of removal, then the retiring or removed Agent may, on behalf of the Banks, appoint a successor Agent, which shall be any Bank hereunder or any commercial bank organized under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least \$200,000,000. Upon the acceptance of its appointment as the Agent hereunder, such successor Agent shall thereupon succeed to and become vested with all the rights and duties of the retiring or removed Agent under the Credit Documents, and the retiring or removed Agent shall be discharged from its duties and obligations thereunder. After any retiring or removed Agent's resignation or removal hereunder as Agent, the provisions of this Section 10 and all protective provisions of the other Credit Documents shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent.

Section 10.9. Co-Agents. Nothing in this Agreement shall impose any obligations on any of The First National Bank of Chicago, NationsBank of Texas, N.A. or Societe Generale in their capacity as Co-Agents.

SECTION 11. MISCELLANEOUS.

Section 11.1. Withholding Taxes. (a) Payments Free of Withholding. Except as otherwise required by law and subject to Section 11.1(b) hereof, each payment by the Borrower under this Agreement or the other Credit Documents shall be made without

-51-

57

withholding for or on account of any present or future taxes (other than overall net income taxes on the recipient) imposed by or within the jurisdiction in which the Borrower is domiciled, any jurisdiction from which the Borrower makes any payment, or (in each case) any political subdivision or taxing authority thereof or therein. If any such withholding is so required, the Borrower shall make the withholding, pay the amount withheld to the appropriate governmental authority before penalties attach thereto or interest accrues thereon and forthwith pay such additional amount as may be necessary to ensure that the net amount actually received by each Bank and the Agent free

and clear of such taxes (including such taxes on such additional amount) is equal to the amount which that Bank or the Agent (as the case may be) would have received had such withholding not been made. If the Agent or any Bank pays any amount in respect of any such taxes, penalties or interest the Borrower shall reimburse the Agent or that Bank for that payment on demand in the currency in which such payment was made. If the Borrower pays any such taxes, penalties or interest, it shall deliver official tax receipts evidencing that payment or certified copies thereof to the Bank or Agent on whose account such withholding was made (with a copy to the Agent if not the recipient of the original) on or before the thirtieth day after payment. If any Bank or the Agent determines it has received or been granted a credit against or relief or remission for, or repayment of, any taxes paid or payable by it because of any taxes, penalties or interest paid by the Borrower and evidenced by such a tax receipt, such Bank or Agent shall, to the extent it can do so without prejudice to the retention of the amount of such credit, relief, remission or repayment, pay to the Borrower such amount as such Bank or Agent determines is attributable to such deduction or withholding and which will leave such Bank or Agent (after such payment) in no better or worse position than it would have been in if the Borrower had not been required to make such deduction or withholding. Nothing in this Agreement shall interfere with the right of each Bank and the Agent to arrange its tax affairs in whatever manner it thinks fit nor oblige any Bank or the Agent to disclose any information relating to its tax affairs or any computations in connection with such taxes.

(b) U.S. Withholding Tax Exemptions. Each Bank that is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) shall submit to the Borrower and the Agent on or before the date hereof, two duly completed and signed copies of either Form 1001 (relating to such Bank and entitling it to a complete exemption from withholding under the Code on all amounts to be received by such Bank, including fees, pursuant to the Credit Documents and the Loans) or Form 4224 (relating to all amounts to be received by such Bank, including fees, pursuant to the Credit Documents and the Loans) of the United States Internal Revenue Service. Thereafter and from time to time, each Bank shall submit to the Borrower and the Agent such additional duly completed and signed copies of one or the other of such Forms (or such successor forms as shall be adopted from time to time by the relevant United States taxing authorities) as may be required under then-current United States law or regulations to avoid or reduce United States withholding taxes on payments in respect of all amounts to be received by such Bank, including fees, pursuant to the Credit Documents or the Loans.

(c) Inability of Bank to Submit Forms. If any Bank determines, as a result of any change in applicable law, regulation or treaty, or in any official application or interpretation

-52-

58

thereof, that it is unable to submit to the Borrower or Agent any form or certificate that such Bank is obligated to submit pursuant to subsection (b) of this Section 11.1. or that such Bank is required to withdraw or cancel any such form or certificate previously submitted or any such form or certificate otherwise becomes ineffective or inaccurate, such Bank shall promptly notify the Borrower and Agent of such fact and the Bank shall to that extent not be obligated to provide any such form or certificate and will be entitled to withdraw or cancel any affected form or certificate, as applicable.

Section 11.2. No Waiver of Rights. No delay or failure on the part of the Agent or any Bank or on the part of the holder or holders of any Note in the exercise of any power or right under any Credit Document shall operate as a waiver thereof, nor as an acquiescence in any default, nor shall any single or partial exercise thereof preclude any other or further exercise of any other power or right, and the rights and remedies hereunder of the Agent, the Banks and the holder or holders of any Notes are cumulative to, and not exclusive of, any rights or remedies which any of them would otherwise have.

Section 11.3. Non-Business Day. If any payment of principal or interest on any Loan or of any other Obligation shall fall due on a day which is not a Business Day, interest or fees (as applicable) at the rate, if any, such Loan or other Obligation bears for the period prior to maturity shall continue to accrue on such Obligation from the stated due date thereof to but excluding the next succeeding Business Day, on which the same shall be payable.

Section 11.4. Documentary Taxes. The Borrower agrees that it will pay any documentary, stamp or similar taxes payable in respect to any Credit Document, including interest and penalties, in the event any such taxes are assessed, irrespective of when such assessment is made and whether or not any credit is then in use or available hereunder.

Section 11.5. Survival of Representations. All representations and warranties made herein or in certificates given pursuant hereto shall survive the execution and delivery of this Agreement and the other Credit Documents, and shall continue in full force and effect with respect to the date as of which they were made as long as any credit is in use or available hereunder.

Section 11.6. Survival of Indemnities. All indemnities and all other provisions relative to reimbursement to the Banks of amounts sufficient to protect the yield of the Banks with respect to the Loans, including, but not limited to, Section 1.17, Section 9.3 and Section 11.15 hereof, shall survive the termination of this Agreement and the other Credit Documents and the payment of the Loans and all other Obligations.

Section 11.7. Sharing of Set-Off. Each Bank agrees with each other Bank a party hereto that if such Bank shall receive and retain any payment, whether by set-off or application of deposit balances or otherwise ("Set-off"), on any of the Committed Loans or Reimbursement Obligations in excess of its ratable share of payments on all such obligations

-53-

59

then outstanding to the Banks, then such Bank shall purchase for cash at face value, but without recourse, ratably from each of the other Banks such amount of the Committed Loans or Reimbursement Obligations, or participations therein, held by each such other Banks (or interest therein) as shall be necessary to cause such Bank to share such excess payment ratably with all the other Banks; provided, however, that if any such purchase is made by any Bank, and if such excess payment or part thereof is thereafter recovered from such purchasing Bank, the related purchases from the other Banks shall be rescinded ratably and the purchase price restored as to the portion of such excess payment so recovered, but without interest. For purposes of this Section 11.7, amounts owed to or recovered by, the Agent in connection with Reimbursement Obligations in which Banks have been required to fund their participation shall be treated as amounts owed to or recovered by the Agent as a Bank hereunder.

Section 11.8. Notices. Except as otherwise specified herein, all notices under the Credit Documents shall be in writing (including cable, telecopy or other electronic communication) and shall be given to a party hereunder at its address or telecopier number set forth below or such other address or telecopier number as such party may hereafter specify by notice to the Agent and the Borrower, given by courier, by United States certified or registered mail, or by other telecommunication device capable of creating a written record of such notice and its receipt. Notices under the Credit Documents to the Banks and the Agent shall be addressed to their respective addresses, telecopier, telex, or telephone numbers set forth on the signature pages hereof, and to the Borrower to:

U.S. Robotics Corporation
8100 North McCormick Boulevard
Skokie, Illinois 60076-2999
Attention: C. David Hall, Treasurer
Telecopy: (847) 676-6600
Telephone: (847) 933-5765

with a copy to:

U.S. Robotics Corporation
8100 North McCormick Boulevard
Skokie, Illinois 60076-2999
Attention: George A. Vinyard, Vice President, General Counsel
and Secretary
Telecopy: (847) 933-5149
Telephone: (847) 933-5830

Each such notice, request or other communication shall be effective (i) if given by telecopier, when such telecopy is transmitted to the telecopier number specified in this Section 11.8 or on the signature pages hereof and a confirmation of receipt of such telecopy has been received by the sender, (ii) if given by telex, when such telex is transmitted to the telex number specified in this Section 11.8 or on the signature pages hereof and the answer back is received by sender, (iii) if given by courier, when delivered, (iv) if given by mail,

60

three Business Days after such communication is deposited in the mail, registered with return receipt requested, addressed as aforesaid or (v) if given by any other means, when delivered at the addresses specified in this Section 11.8 or on the signature pages hereof; provided that any notice given pursuant to Section 1 hereof shall be effective only upon receipt and notices described in clauses (i), (ii), (iii), and (v) above that are received after normal business hours will be deemed received at the opening of business on the next business day.

Section 11.9. Counterparts. This Agreement may be executed in any number of counterpart signature pages, and by the different parties on different counterparts, each of which when executed shall be deemed an original but all such counterparts taken together shall constitute one and the same instrument.

Section 11.10. Successors and Assigns. This Agreement shall be binding upon the Borrower and its successors and assigns, and shall inure to the benefit of each of the Banks and the benefit of their respective successors and assigns, including any subsequent holder of any Note. The Borrower may not assign any of its rights or obligations under any Credit Document without the written consent of all of the Banks.

Section 11.11. Participants. Each Bank shall have the right at its own cost to grant participations (to be evidenced by one or more agreements or certificates of participation) in the Loans made and Reimbursement Obligations and/or Commitments held by such Bank at any time and from time to time to one or more other Persons; provided that no such participation shall relieve any Bank of any of its obligations under this Agreement, and, provided, further that no such participant shall have any rights under this Agreement except as provided in this Section 11.11, and the Agent shall have no obligation or responsibility to such participant. Any agreement pursuant to which such participation is granted shall provide that the granting Bank shall retain the sole right and responsibility to enforce the obligations of the Borrower under this Agreement and the other Credit Documents including, without limitation, the right to approve any amendment, modification or waiver of any provision of the Credit Documents, except that such agreement may provide that such Bank will not agree to any modification, amendment or waiver of the Credit Documents that would reduce the amount of or postpone or extend any fixed date for payment of any Obligation in which such participant has an interest. Any party to which such a participation has been granted shall have the benefits of Section 1.17 and Section 9.3 hereof but shall not be entitled to receive any greater payment under either such Section than the Bank granting such participation would have been entitled to receive with respect to the rights transferred. Prior to any Bank granting a participation as provided herein such Bank shall notify the Borrower thereof in writing. The Borrower authorizes each Bank to disclose to any participant or prospective participant under this Section 11.11 any financial or other information pertaining to the Borrower or any Subsidiary, subject to Section 11.21 hereof.

Section 11.12. Assignment of Commitments by Banks. Each Bank shall have the right at any time, with the prior written consent of the Borrower (which consent shall not be unreasonably withheld or delayed) and the Agent, to assign all or any part of its Revolving Credit Commitment (including the same percentage of its Committed Note, outstanding

61

Committed Loans and participations in Letters of Credit) to one or more other Eligible Assignees; provided that each such assignment is in an amount of at least \$15,000,000 or the entire Revolving Credit Commitment of such Bank, and if such assignment is not for such Bank's entire Revolving Credit Commitment, then such Bank's Revolving Credit Commitment after giving effect to such assignment shall not be less than \$10,000,000; provided further that no such consents shall be required if the assignee is an Affiliate of the assigning Bank. Each such assignment shall set forth the assignee's address for notices to be given under Section 11.8 hereof hereunder and its designated Lending Office pursuant to Section 9.4 hereof. Upon any such assignment, delivery to the Agent and the Borrower of an executed copy of such assignment agreement and the forms referred to in Section 11.1 hereof, if applicable, and, in the case of an assignment to an Eligible Assignee other than an Affiliate of the assigning Bank, the payment of a \$3,000 recordation fee to the Agent, the assignee shall become a Bank hereunder, all Loans, participations in Letters of Credit and the Revolving Credit Commitment it thereby holds shall be governed by all the terms and conditions hereof and the Bank granting such assignment

shall have its Revolving Credit Commitment, and its obligations and rights in connection therewith, reduced by the amount of such assignment. At the time of the assignment the Borrower shall execute and deliver to the assignor and/or assignee new Notes.

Section 11.13. Amendments. Any provision of the Credit Documents may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by (a) the Borrower, (b) the Required Banks, and (c) if the rights or duties of the Agent are affected thereby, the Agent; provided that:

(i) no amendment or waiver pursuant to this Section 11.13 shall (A) increase or extend any Commitment of any Bank without the consent of such Bank or (B) reduce the amount of or postpone any fixed date for payment of any principal of or interest on any Loan or Reimbursement Obligation or of any fee payable hereunder without the consent of each Bank; and

(ii) no amendment or waiver pursuant to this Section 11.13 shall, unless signed by each Bank, change any provision of Section 6, Section 9, this Section 11.13, or the definition of Required Banks, or affect the number of Banks required to take any action under the Credit Documents.

Section 11.14. Headings. Section headings used in this Agreement are for reference only and shall not affect the construction of this Agreement.

Section 11.15. Legal Fees, Other Costs and Indemnification. The Borrower agrees to pay all reasonable costs and expenses of the Agent in connection with the preparation, negotiation, associated due diligence review, administration, and syndication of the Credit Documents, including without limitation, the reasonable fees and disbursements of Chapman and Cutler, counsel to the Agent, in connection with the preparation and execution of the Credit Documents, and any amendment, waiver or consent related hereto, whether or not the transactions contemplated herein are consummated. The Borrower further agrees to indemnify each Bank, the Agent, and their respective directors, officers and employees,

-56-

62

against all losses, claims, damages, penalties, judgments, liabilities and expenses (including, without limitation, all expenses of litigation or preparation therefor, whether or not the indemnified Person is a party thereto) which any of them may incur or reasonably pay arising out of or relating to any Credit Document or any of the transactions contemplated thereby or the direct or indirect application or proposed application of the proceeds of any Loan or Letter of Credit, other than those which arise from the gross negligence or willful misconduct of the party claiming indemnification. The Borrower, upon demand by the Agent or a Bank at any time, shall reimburse the Agent or Bank for any reasonable legal or other expenses incurred in connection with investigating or defending against any of the foregoing except if the same is directly due to the gross negligence or willful misconduct of the party to be indemnified.

Section 11.16. Set Off. In addition to any rights now or hereafter granted under applicable law and not by way of limitation of any such rights, upon the occurrence of any Event of Default, each Bank and each subsequent holder of any Note is hereby authorized by the Borrower at any time or from time to time, without notice to the Borrower or to any other Person, any such notice being hereby expressly waived, to set off and to appropriate and to apply any and all deposits (general or special, including, but not limited to, Indebtedness evidenced by certificates of deposit, whether matured or unmatured, but not including trust accounts, and in whatever currency denominated) and any other Indebtedness at any time held or owing by that Bank or that subsequent holder to or for the credit or the account of the Borrower, whether or not matured, against and on account of the obligations and liabilities of the Borrower to that Bank or that subsequent holder under the Credit Documents, including, but not limited to, all claims of any nature or description arising out of or connected with the Credit Documents, irrespective of whether or not (a) that Bank or that subsequent holder shall have made any demand hereunder or (b) the principal of or the interest on the Loans or Notes and other amounts due hereunder shall have become due and payable pursuant to Section 8 and although said obligations and liabilities, or any of them, may be contingent or unmatured.

Section 11.17. Currency. Each reference in this Agreement to U.S. Dollars or to an Alternative Currency (the "relevant currency") is of the essence. To the fullest extent permitted by law, the obligation of the

Borrower in respect of any amount due in the relevant currency under this Agreement shall, notwithstanding any payment in any other currency (whether pursuant to a judgment or otherwise), be discharged only to the extent of the amount in the relevant currency that the Person entitled to receive such payment may, in accordance with normal banking procedures, purchase with the sum paid in such other currency (after any premium and costs of exchange) on the Business Day immediately following the day on which such party receives such payment. If the amount in the relevant currency that may be so purchased is less than the sum originally due to such Person in the specified currency, the Borrower agrees, as a separate obligation and notwithstanding any such judgment, to indemnify such Person against such loss, and if the amount of the specified currency so purchased exceeds the sum of (a) the amount originally due to the relevant Person in the specified currency plus (b) any amounts shared with other Banks as a result of allocations of such excess as a disproportionate payment to such Bank under Section 11.7 hereof, such Person agrees to remit such excess to the Borrower.

-57-

63

Section 11.18. Entire Agreement. The Credit Documents constitute the entire understanding of the parties thereto with respect to the subject matter thereof and any prior or contemporaneous agreements, whether written or oral, with respect thereto are superseded thereby.

Section 11.19. Governing Law. This Agreement and the other Credit Documents, and the rights and duties of the parties hereto, shall be construed and determined in accordance with the internal laws of the State of Illinois.

Section 11.20. Submission to Jurisdiction; Waiver of Jury Trial. The Borrower hereby submits to the nonexclusive jurisdiction of the United States District Court for the Northern District of Illinois and of any Illinois State court sitting in the City of Chicago for purposes of all legal proceedings arising out of or relating to this Agreement, the other Credit Documents or the transactions contemplated hereby or thereby. The Borrower irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum. THE BORROWER, THE AGENT, AND EACH BANK HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO ANY CREDIT DOCUMENT OR THE TRANSACTIONS CONTEMPLATED THEREBY.

Section 11.21. Confidentiality. Each Bank agrees to maintain in confidence and not to disclose without the Borrower's consent (other than to its employees, affiliates, auditors, counsel or other professional advisors, or to another Bank) any information concerning the Borrower or any of its Subsidiaries furnished pursuant to this Agreement and identified as confidential by the party so furnishing such information; provided that any Bank may disclose any such information (a) that has become generally available to the public, (b) if required or appropriate in any report, statement or testimony submitted to any regulatory body having or claiming to have jurisdiction over such Bank, (c) if required or appropriate in response to any summons or subpoena or in connection with any litigation, (d) in order to comply with any law, order, regulation or ruling applicable to such Bank, or (e) to any prospective or actual participant under Section 11.11 hereof or assignee under Section 11.12 hereof in connection with any contemplated or actual transfer of a participating interest in such Bank's rights or obligations hereunder; provided, that such actual or prospective transferee executes an agreement with such Bank containing provisions substantially identical to those contained in this Section 11.21.

-58-

64

Upon your acceptance hereof in the manner hereinafter set forth, this Agreement shall be a contract between us for the purposes hereinabove set forth.

Dated as of September 12, 1996.

U.S. Robotics Corporation

By /s/ C. DAVID HALL

Its Treasurer

-59-

65

Accepted and Agreed to as of the day and year last above written.

Address and Amount of Commitments:

Address: HARRIS TRUST AND SAVINGS BANK, in its individual capacity as a Bank and as Agent

111 West Monroe Street
Chicago, Illinois 60690
Attn: John R. Smart

Facsimile: (312) 461-2591
Telephone: (312) 461-2801

By /s/ JOHN R. SMART

Its Vice President

Revolving Credit
Commitment: \$45,000,000

Lending Offices:

Domestic Rate Loans:
111 West Monroe Street
Chicago, Illinois 60690
Attn: John R. Smart

Eurocurrency Loans:
111 West Monroe Street
Chicago, Illinois 60690
Attn: John R. Smart

-60-

66

Address: THE FIRST NATIONAL BANK OF CHICAGO, in its individual capacity as a Bank and as a Co-Agent

One First National Plaza
Mail Suite 0088, 14th Floor
Chicago, Illinois 60670-0088
Attn: Jerry Kane

Facsimile: (312) 732-1117
Telephone: (312) 732-1614

By /s/ JERRY KANE

Its SVP

Revolving Credit
Commitment: \$25,000,000

Lending Offices:

Domestic Rate Loans:
One First National Plaza
Mail Suite 0088, 14th Floor
Chicago, Illinois 60670-0088
Attn: Jerry Kane

Eurocurrency Loans:
One First National Plaza
Mail Suite 0088, 14th Floor

-61-

67
Address: NATIONSBANK OF TEXAS, N.A.
in its individual capacity
as a Bank and as a Co-Agent

901 Main Street, 67th Floor
Dallas, Texas 75283-1000
Attn: Stan W. Reynolds

Facsimile: (214) 508-0980
Telephone: (214) 508-3399

By /s/ STAN W. REYNOLDS

Its Vice President

Revolving Credit
Commitment: \$25,000,000

Lending Offices:

Domestic Rate Loans:
901 Main Street
Dallas, Texas 75283-1000
Attn: Stan W. Reynolds

Eurocurrency Loans:
901 Main Street
Dallas, Texas 75283-1000
Attn: Stan W. Reynolds

-62-

68
Address: SOCIETE GENERALE, CHICAGO BRANCH
in its individual capacity as a
Bank and as a Co-Agent

181 W. Madison Street, Suite 3400
Chicago, Illinois 60602
Attn: Joseph A. Philbin

Facsimile: (312) 578-5099
Telephone: (312) 578-5005

By /s/ JOSEPH A. PHILBIN

Its Vice President

Revolving Credit
Commitment: \$25,000,000

Lending Offices:

Domestic Rate Loans:
181 W. Madison Street, Suite 3400
Chicago, Illinois 60602
Attn: Joseph A. Philbin

Eurocurrency Loans:
181 W. Madison Street, Suite 3400
Chicago, Illinois 60602
Attn: Joseph A. Philbin

-63-

69
Address: ABN AMRO BANK N.V.

135 South LaSalle Street
Chicago, Illinois 60674-9135
Attn: Douglas R. Elliott

Facsimile: (312) 606-8425
Telephone: (312) 904-2994

By /s/ DAVID C. SAGERS

Its Vice President

By /s/ CHRISTINE E. HOLMES

Its Vice President

Revolving Credit
Commitment: \$15,000,000

Lending Offices:

Domestic Rate Loans:
135 South LaSalle Street
Chicago, Illinois 60674-9135
Attn: Douglas R. Elliott

Eurocurrency Loans:
135 South LaSalle Street
Chicago, Illinois 60674-9135
Attn: Douglas R. Elliott

-64-

70
Address:
600 Peachtree Street N.E.
Suite 2700
Atlanta, Georgia 30308
Attn: F.C.H. Ashby

THE BANK OF NOVA SCOTIA

Facsimile: (404) 888-8998
Telephone: (404) 877-1560

By /s/ A.S. NORSWORTHY

Its Senior Team Leader -
Loan Operations

Revolving Credit
Commitment: \$15,000,000

Lending Offices:

Domestic Rate Loans:
600 Peachtree Street N.E.
Suite 2700
Atlanta, Georgia 30308
Attn: F.C.H. Ashby

Eurocurrency Loans:
600 Peachtree Street N.E.
Suite 2700
Atlanta, Georgia 30308
Attn: F.C.H. Ashby

-65-

71
Address:
209 South LaSalle Street, 5th Floor
Chicago, Illinois 60604
Attn: Rosalie C. Hawley

BANQUE NATIONALE DE PARIS

Facsimile: (312) 977-1380
Telephone: (312) 977-2203

By /s/ ARNAUD COLLIN DU BOCAGE

Its Executive Vice President and
General Manager

Revolving Credit
Commitment: \$15,000,000

Lending Offices:

Domestic Rate Loans:
209 South LaSalle Street, 5th Floor
Chicago, Illinois 60604
Attn: Rosalie C. Hawley

Eurocurrency Loans:
209 South LaSalle Street, 5th Floor
Chicago, Illinois 60604
Attn: Rosalie C. Hawley

-66-

72
Address:

311 South Wacker Drive, Suite 5800
Chicago, Illinois 60606
Attn: Mark D. Monson

COMMERZBANK AKTIENGESELLSCHAFT,
CHICAGO BRANCH

Facsimile: (312) 435-1486
Telephone: (312) 408-6910

By /s/ MARK MONSON

Its Vice President

By /s/ DR. HELMUT TOLLNER

Its Executive Vice President

Revolving Credit
Commitment: \$15,000,000

Lending Offices:

Domestic Rate Loans:
311 South Wacker Drive
Chicago, Illinois 60606
Attn: Mark D. Monson

Eurocurrency Loans:
311 South Wacker Drive
Chicago, Illinois 60606
Attn: Mark D. Monson

-67-

73
Address:

227 West Monroe Street
Chicago, Illinois 60606
Attn: Michel Buysschaert

CREDIT LYONNAIS, CHICAGO BRANCH

Facsimile: (312) 641-0527
Telephone: (312) 220-7301

By /s/ MICHAEL BUYSSCHAERT

Its Vice President

Revolving Credit
Commitment: \$15,000,000

Lending Offices:

Domestic Rate Loans:
227 West Monroe Street
Chicago, Illinois 60606
Attn: Michel Buysschaert

Eurocurrency Loans:
227 West Monroe Street
Chicago, Illinois 60606
Attn: Michel Buysschaert

-68-

74
Address:
227 West Monroe Street, Suite 4350
Chicago, Illinois 60606
Attn: Hans Roderich

DEUTSCHE BANK AG, CHICAGO BRANCH
AND/OR CAYMAN ISLANDS BRANCH

Facsimile: (312) 578-4111
Telephone: (312) 578-4133

By /s/ HANS RODERICH

Its Associate

By /s/ CYNTHIA L. HUNT

Its Director

Revolving Credit
Commitment: \$15,000,000

Lending Offices:

Domestic Rate Loans:
227 West Monroe Street, Suite 4350
Chicago, Illinois 60606
Attn: Hans Roderich

Eurocurrency Loans:
Cayman Islands Branch
c/o New York Branch
31 West 52nd Street
New York, New York 10019

with a copy to:
Chicago Branch
227 West Monroe Street, Suite 4350
Chicago, Illinois 60606
Attn: Hans Roderich

-69-

75
Address:
One First Union Center
Charlotte, North Carolina 28288-0745
Attn: David Gillespie

FIRST UNION NATIONAL BANK OF NORTH
CAROLINA

Facsimile: (704) 374-2802
Telephone: (704) 383-1392

By /s/ JANE W. WORKMAN

Its SENIOR VICE PRESIDENT

Revolving Credit
Commitment: \$15,000,000

Lending Offices:

Domestic Rate Loans:
One First Union Center
Charlotte, North Carolina 28288-0745
Attn: David Gillespie

Eurocurrency Loans:
One First Union Center
Charlotte, North Carolina 28288-0745
Attn: David Gillespie

76

Address: 225 West Wacker Drive, Suite 2000
Chicago, Illinois 60606
Attn: Lee E. Prewitt

THE FUJI BANK, LIMITED

Facsimile: (312) 621-0539
Telephone: (312) 621-9485

By /s/ PETER L. CHINNICI

Its Joint General Manager

Revolving Credit
Commitment: \$15,000,000

Lending Offices:

Domestic Rate Loans:
225 West Wacker Drive, Suite 2000
Chicago, Illinois 60606
Attn: Lee E. Prewitt

Eurocurrency Loans:
225 West Wacker Drive, Suite 2000
Chicago, Illinois 60606
Attn: Lee E. Prewitt

77

Address: 227 West Monroe Street, Suite 2600
Chicago, Illinois 60606
Attn: Steven Ryan

THE INDUSTRIAL BANK OF JAPAN, LIMITED

Facsimile: (312) 855-8200
Telephone: (312) 855-6251

By [SIG]

Its Joint General Manager

Revolving Credit
Commitment: \$15,000,000

Lending Offices:

Domestic Rate Loans:
227 West Monroe Street, Suite 2600
Chicago, Illinois 60606
Attn: Steven Ryan

Eurocurrency Loans:
227 West Monroe Street, Suite 2600
Chicago, Illinois 60606
Attn: Steven Ryan

78

Address: 50 South LaSalle Street
Chicago, Illinois 60675
Attn: Carolyn Donohue Grant

THE NORTHERN TRUST COMPANY

Facsimile: (312) 444-7028
Telephone: (312) 444-7729

By Carolyn Donohue Grant

Its Vice President

Revolving Credit
Commitment: \$15,000,000

Lending Offices:

Domestic Rate Loans:

50 South LaSalle Street
Chicago, Illinois 60675
Attn: Carolyn Donohue Grant

Eurocurrency Loans:

50 South LaSalle Street
Chicago, Illinois 60675
Attn: Carolyn Donohue Grant

-73-

79

Address: 70 West Madison Street, Suite 2440
Chicago, Illinois 60602
Attn: Keith L. Burson

WACHOVIA BANK OF GEORGIA, N.A.

Facsimile: (312) 853-0693
Telephone: (312) 853-3775

By /s/ ELIZABETH COLT

Its Vice President

Elizabeth Colt

Revolving Credit

Commitment: \$15,000,000

Lending Offices:

Domestic Rate Loans:

70 West Madison Street
Chicago, Illinois 60602
Attn: Keith L. Burson

Eurocurrency Loans:

70 West Madison Street
Chicago, Illinois 60602
Attn: Keith L. Burson

-74-

80

Address: 1211 Avenue of the Americas
New York, New York 10036
Attn: Cheryl Wilson

WESTDEUTSCHE LANDESBANK
GIROZENTRALE, NEW YORK BRANCH

Facsimile: (212) 852-6148
Telephone: (212) 852-6121

By /SIG/

Its VP

with a copy to:

181 W. Madison Street, Suite 4850
Chicago, Illinois 60602
Attn: Mark R. Worley

By /s/ KAREN E. HOPLOCK

Its VP

Facsimile: (312) 553-1609
Telephone: (312) 553-1600

Revolving Credit

Commitment: \$15,000,000

Lending Offices:

Domestic Rate Loans:

1211 Avenue of the Americas
New York, New York 10036
Attn: Cheryl Wilson

Eurocurrency Loans:

1211 Avenue of the Americas
New York, New York 10036
Attn: Cheryl Wilson

-75-

81

EXHIBIT A

NOTICE OF PAYMENT REQUEST

[Name of Bank]

[Date]

[Address]

Attention:

Reference is made to the Credit Agreement, dated as of September 12, 1996 among U.S. Robotics Corporation, the Banks named therein, and Harris Trust and Savings Bank, as Agent (the "Credit Agreement"). Capitalized terms used herein and not defined herein have the meanings assigned to them in the Credit Agreement. [The Borrower has failed to pay its Reimbursement Obligation in the amount of \$_____. Your Bank's Percentage of the unpaid Reimbursement Obligation is \$_____] or [Harris Trust and Savings Bank has been required to return a payment by the Borrower of a Reimbursement Obligation in the amount of \$_____. Your Bank's Percentage of the returned Reimbursement Obligations is \$_____.]

Very truly yours,

HARRIS TRUST AND SAVINGS BANK

By _____

Its _____

82

EXHIBIT B

COMMITTED NOTE

FOR VALUE RECEIVED, the undersigned, U.S. Robotics Corporation, a Delaware corporation (the "Borrower"), promises to pay to the order of _____ (the "Bank") on the Termination Date of the hereinafter defined Credit Agreement, at the principal office of Harris Trust and Savings Bank, in Chicago, Illinois, (or in the case of Eurocurrency Loans denominated in an Alternative Currency, at such office as the Agent has previously notified the Borrower) in the currency of such Committed Loan in accordance with Section 3.1 of the Credit Agreement, the aggregate unpaid principal amount of all Committed Loans made by the Bank to the Borrower pursuant to the Credit Agreement, together with interest on the principal amount of each Committed Loan from time to time outstanding hereunder at the rates, and payable in the manner and on the dates, specified in the Credit Agreement.

The Bank shall record on its books or records or on a schedule attached to this Committed Note, which is a part hereof, each Committed Loan made by it pursuant to the Credit Agreement, together with all payments of principal and interest and the principal balances from time to time outstanding hereon, whether the Committed Loan is a Domestic Rate Loan or a Eurocurrency Loan, the currency thereof and the interest rate and Interest Period applicable thereto, provided that prior to the transfer of this Committed Note all such amounts shall be recorded on a schedule attached to this Committed Note. The record thereof, whether shown on such books or records or on a schedule to this Committed Note, shall be prima facie evidence of the same, provided, however, that the failure of the Bank to record any of the foregoing or any error in any such record shall not limit or otherwise affect the obligation of the Borrower to repay all Committed Loans made to it pursuant to the Credit Agreement together with accrued interest thereon.

This Committed Note is one of the Committed Notes referred to in the Credit Agreement dated as of September 12, 1996, among the Borrower, Harris Trust and Savings Bank, as Agent, and the Banks party thereto (the "Credit Agreement"), and this Committed Note and the holder hereof are entitled to all the benefits provided for thereby or referred to therein, to which Credit

Agreement reference is hereby made for a statement thereof. All defined terms used in this Committed Note, except terms otherwise defined herein, shall have the same meaning as in the Credit Agreement. This Committed Note shall be governed by and construed in accordance with the internal laws of the State of Illinois.

Prepayments may be made hereon and this Committed Note may be declared due prior to the expressed maturity hereof, all in the events, on the terms and in the manner as provided for in the Credit Agreement.

83

The Borrower hereby waives demand, presentment, protest or notice of any kind hereunder.

U.S. ROBOTICS CORPORATION

By _____

Its _____

-2-

84

EXHIBIT C

BID NOTE

_____ , _____
FOR VALUE RECEIVED, the undersigned, U.S. Robotics Corporation, a Delaware corporation (the "Borrower"), promises to pay to the order of _____ (the "Bank") on the Termination Date of the hereinafter defined Credit Agreement, at the principal office of Harris Trust and Savings Bank, in Chicago, Illinois, (or in the case of Bid Loans denominated in an Alternative Currency, at such office as the Agent has previously notified the Borrower) in the currency of such Bid Loan in accordance with Section 3.1 of the Credit Agreement, the aggregate unpaid principal amount of all Bid Loans made by the Bank to the Borrower pursuant to the Credit Agreement, together with interest on the principal amount of each Bid Loan from time to time outstanding hereunder at the rates, and payable in the manner and on the dates, specified in the Credit Agreement.

The Bank shall record on its books or records or on a schedule attached to this Bid Note, which is a part hereof, each Bid Loan made by it pursuant to the Credit Agreement, together with all payments of principal and interest and the principal balances from time to time outstanding hereon, whether the Bid Loan is a Eurocurrency Bid Loan or a Stated Rate Bid Loan, the currency thereof and the interest rate and Interest Period applicable thereto, provided that prior to the transfer of this Bid Note all such amounts shall be recorded on a schedule attached to this Bid Note. The record thereof, whether shown on such books or records or on a schedule to this Bid Note, shall be prima facie evidence of the same, provided, however, that the failure of the Bank to record any of the foregoing or any error in any such record shall not limit or otherwise affect the obligation of the Borrower to repay all Bid Loans made to it pursuant to the Credit Agreement together with accrued interest thereon.

This Bid Note is one of the Bid Notes referred to in the Credit Agreement dated as of September 12, 1996, among the Borrower, Harris Trust and Savings Bank, as Agent, and the Banks party thereto (the "Credit Agreement"), and this Bid Note and the holder hereof are entitled to all the benefits provided for thereby or referred to therein, to which Credit Agreement reference is hereby made for a statement thereof. All defined terms used in this Bid Note, except terms otherwise defined herein, shall have the same meaning as in the Credit Agreement. This Bid Note shall be governed by and construed in accordance with the internal laws of the State of Illinois.

Prepayments may be made hereon and this Bid Note may be declared due prior to the expressed maturity hereof, all in the events, on the terms and in the manner as provided for in the Credit Agreement.

85

The Borrower hereby waives demand, presentment, protest or notice of any kind hereunder.

U.S. ROBOTICS CORPORATION

By _____

EXHIBIT D

BID LOAN REQUEST CONFIRMATION

[Date]

Harris Trust and Savings Bank, as Agent
111 West Monroe Street
Chicago, Illinois 60690

Attention: Agency Services

Dear _____:

The undersigned, U.S. Robotics Corporation (the "Borrower") refers to the Credit Agreement dated as of September 12, 1996, as amended (the "Credit Agreement"), among the Borrower, the Banks from time to time party thereto, and Harris Trust and Savings Bank, as Agent for the Banks. Capitalized terms used and not defined herein have the meanings assigned to them in the Credit Agreement. The Borrower hereby confirms that it has, on the date hereof, given you notice pursuant to Section 1.7 of the Credit Agreement that it requests a Bid Loan Borrowing under the Credit Agreement, and in that connection sets forth below the terms on which such Bid Loan Borrowing is requested to be made:

<TABLE>		
<S>	<C>	<C>
(A) Type of Bid Loan Borrowing(1)		_____
(B) Date of Bid Loan Borrowing(2)		_____
(C) Currency		_____
(D) Aggregate Principal Amount of	Stated Rate	Eurocurrency
Bid Loan Borrowing(3)	-----	-----
	-----	-----
</TABLE>		

- (1) Stated Rate or Eurocurrency.
- (2) The Bid Loan Request Confirmation must be received on a Business Day by the Agent not later than 10:30 A.M. (Chicago time) one (1) Business Day before the proposed Borrowing Date in the case of Stated Rate Bid Loans and five Business Days before the proposed Borrowing Date in the case of Eurodollar Bid Loans.
- (3) Not less than an Original Dollar Amount of \$5,000,000 and in integral multiples of 1,000,000 units of the relevant currency.

87		
<TABLE>		
<S>	<C>	<C>
(E) Maturities(4)		_____

(F) If, applicable maximum amount	-----	-----
requested for each maturity	-----	-----
	-----	-----
</TABLE>		

Upon acceptance of any or all of the Bids offered by Banks in response to this request, the Borrower shall be deemed to affirm as of such date the representations and warranties made in the Credit Agreement.

U.S. ROBOTICS CORPORATION

By _____

Its _____

- (4) List up to 3 maturities of 1 to 180 days in the case of Stated Rate Bid Loans and 1, 2, 3, 4, 5 or 6 months in the case of Eurocurrency Bid Loans, but never beyond the Termination Date.

-2-

88

EXHIBIT E

INVITATION TO BID

[Date]

[Name of Bank]
[Address of Bank]

Attention:

Reference is made to the Credit Agreement dated as of September 12, 1996 (the "Credit Agreement") among U.S. Robotics Corporation, (the "Borrower"), the Banks from time to time party thereto, and Harris Trust and Savings Bank, as Agent for the Banks. Capitalized terms used and not defined herein have the meanings assigned to them in the Credit Agreement. The Borrower made a Bid Loan Request on _____, _____ pursuant to Section 1.7(a) of the Credit Agreement, and in that connection you are invited to submit a Bid by [Date] (1). Your Bid must comply with Section 1.7(c) of the Credit Agreement and the terms set forth below on which the Bid Loan Request was made.

<TABLE>			
<S>	<C>	<C>	<C>
(A)	Type (Stated Rate or Eurocurrency)		_____
(B)	Date of Proposed Bid Loan Borrowing		_____
(C)	Currency		_____
		Stated Rate	Eurocurrency
		-----	-----
(D)	Aggregate Principal Amount of Bid Loan	_____	_____
(E)	Maturities and maximum amount, if different from (D), for any maturity	_____	_____
</TABLE>			

Very truly yours,

HARRIS TRUST AND SAVINGS BANK,
as Agent

By _____

Its _____

(1) The Bid must be received by the Agent not later than 9:00 a.m. Chicago time, on the proposed Borrowing Date for Stated Rate Bid Loans and 1:00 p.m. four Business Days prior to the proposed Borrowing Date for Eurocurrency Bid Loans.

89

EXHIBIT F

CONFIRMATION OF BID

[Date]

Harris Trust and Savings Bank, as Agent
111 West Monroe Street
Chicago, Illinois 60690

Attention: Agency Services

The undersigned [Name of Bank], refers to the Credit Agreement dated as of September 12, 1996 (the "Credit Agreement") among U.S. Robotics Corporation (the "Borrower"), the Banks from time to time party thereto, and Harris Trust and Savings Bank, as Agent for the Banks. Capitalized terms used and not defined herein have the meanings assigned to them in the Credit Agreement. The undersigned hereby confirms that on the date hereof it has made a Bid pursuant to Section 1.7 of the Credit Agreement, in response to the Bid Loan Request made by the Borrower on _____, _____, and in that connection sets forth below the terms on which such Bid is made:

<TABLE>		
<S>	<C>	<C>
Type (Stated Rate or Eurocurrency):		_____
Currency		_____
Date of proposed Bid Loan Borrowing:		_____ (1)
Principal Amount(2)	Maturity(3)	Interest Rate or spread above or below LIBOR(4)
-----	-----	-----

Very truly yours,

[Name of Bank]

By _____

Its _____

</TABLE>

(1) As specified in the related Invitation to Bid.

(2) Principal amount of bid for each maturity may not exceed the principal amount requested by the Company or the maximum amount requested for that maturity, if less. Bids must be made in a minimum an Original Dollar Amount of \$5,000,000 and in integral multiples of 1,000,000 units of the relevant currency.

(3) List each maturity of 1 to 180 days in the case of Stated Rate Bid Loans and 1, 2, 3, 4, 5 or 6 months in the case of Eurocurrency Bid Loans.

(4) Specify rate of interest per annum computed on the basis of a year of 360 days and actual days elapsed for Stated Rate Bid Loans and percentage to be added to or subtracted from LIBOR for Eurocurrency Bid Rate Loans.

90

EXHIBIT G

NOTICE OF ACCEPTANCE OF BID

[Date]

[Name of Bank]
[Address of Bank]

Attention:

Reference is made to the Credit Agreement dated as of September 12, 1996 (the "Credit Agreement") among U.S. Robotics Corporation (the "Borrower"), the Banks from time to time party thereto, and Harris Trust and Savings Bank, as Agent for the Banks. Capitalized terms used and not defined herein have the meanings assigned to them in the Credit Agreement. The Borrower made a Bid Loan Request on _____, _____ pursuant to Section 1.7 of the Credit Agreement, and in that connection you have submitted a Bid. Your Bid has been accepted as set forth below.

<TABLE>			
<S>	<C>	<C>	<C>
(A)	Type of Bid Loan		_____
(B)	Date of Bid Loan Borrowing		_____
			Interest

(C) Aggregate principal amount of each Bid maturity and interest rate

Principal Amount

Currency

Maturity

Rate or Spread above or below LIBOR

_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Very truly yours,

HARRIS TRUST AND SAVINGS BANK,
as Agent

By _____

Its _____

</TABLE>

EXHIBIT H

COMPLIANCE CERTIFICATE

This Compliance Certificate is furnished to Harris Trust and Savings Bank as Agent pursuant to the Credit Agreement (the "Credit Agreement") dated as of September 12, 1996, by and among U.S. Robotics Corporation, the Banks signatory thereto and Harris Trust and Savings Bank as Agent. Unless otherwise defined herein, the terms used in this Compliance Certificate have the meanings ascribed thereto in the Credit Agreement.

THE UNDERSIGNED HEREBY CERTIFIES THAT:

1. I am the duly elected _____ of U.S. Robotics Corporation;
2. I have reviewed the terms of the Credit Agreement and I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of U.S. Robotics Corporation and its Subsidiaries during the accounting period covered by the attached financial statements;
3. The examinations described in paragraph 2 did not disclose, and I have no knowledge of, the existence of any condition or event which constitutes an Event of Default during or at the end of the accounting period covered by the attached financial statements or as of the date of this Certificate, except as set forth below;
4. Based on the examinations described in paragraph 2, the representations and warranties of the Borrower contained in Section 5 of the Credit Agreement are true and correct in all material respects as if made on the date hereof (other than those made solely as of an earlier date, which are only certified to be true as of such date), except as set forth below; and
5. Schedule 1 attached hereto sets forth financial data and computations evidencing compliance with certain covenants of the Credit Agreement, all of which data and computations are true, complete and correct. All computations are made in accordance with the terms of the Credit Agreement.

Described below are the exceptions, if any, to paragraphs 3 and 4 by listing, in detail, the nature of the condition or event, the period during which it has existed and the action which the Borrower has taken, is taking, or proposes to take with respect to each such condition or event:

The foregoing certifications, together with the computations set forth in Schedule 1 hereto and the financial statements delivered with this Certificate in support hereof, are made and delivered this _____ day of _____, 19__.

-2-

93

SCHEDULE 1 TO COMPLIANCE CERTIFICATE

Compliance Calculations for Credit Agreement
dated as of September 12, 1996

CALCULATION AS OF _____, ____

<u><TABLE></u>	<u><S></u>	<u><C></u>	<u><C></u>	<u><C></u>
A.	Liens (Sec. 7.9(d), (e), and (i))			
1.	Liens securing judgments or related bonds (Section 7.9(d))	\$ _____		(not to exceed \$10,000,000)
2.	Purchase money Liens (Section 7.9(e))	\$ _____		(not to exceed 5% of Consolidated Tangible Assets)
3.	Liens on Property of newly acquired Persons (or divisions) (Section 7.9(h))	\$ _____		(not to exceed \$25,000,000)
4.	Liens securing Indebtedness not otherwise permitted by Section 7.9 (Section 7.9(j))	\$ _____		(not to exceed 10% of Consolidated Tangible Assets (Line C3))
B.	Sale of Assets (Section 7.12)			
1.	Fair market value of assets sold during past 12-months (excluding inventory and permitted sale/leasebacks)	\$ _____		
2.	Consolidated Tangible Assets at end of preceding fiscal quarter (Line C3)	\$ _____		(Line B1 not to exceed 10% of Line B2, but may equal up to 25% of Line B2 if sale proceeds in excess of 10% of Line B2 are reinvested in business and meet other requirements of Section 7.12)
<u></TABLE></u>				

94

<u><TABLE></u>	<u><S></u>	<u><C></u>	<u><C></u>	<u><C></u>
C.	Consolidated Tangible Net Worth (Section 7.15)			
1.	Consolidated total assets	\$ _____		
2.	Consolidated intangible assets	\$ _____		
3.	Consolidated Tangible Assets (Line C1 minus Line C2)	\$ _____		
4.	Consolidated total liabilities	\$ _____		
5.	Consolidated Tangible Net Worth (Line C3 minus Line C4)	\$ _____		
6.	Positive Net Income for fiscal quarter ending September 29, 1996	\$ _____		

7.	Cumulative positive Net Income for each fiscal year ending on or after September 28, 1997	\$ _____	
8.	Sum of Line C6 and Line C7	\$ _____	
9.	Line C8 times 50%	\$ _____	
10.	Sum of Line C8 plus \$503,850,000	\$ _____	(Line C5 must equal or exceed Line C10)
D.	Leverage Ratio (Section 7.16)		
1.	Total Debt	\$ _____	
2.	Consolidated Tangible Net Worth (from Line C5)	\$ _____	
3.	Sum of Lines D1 and D2	\$ _____	
4.	Ratio of Line D1 to D3	_____ : _____	(Ratio of Line D1 to Line D3 must not exceed 0.50 to 1.00)
E.	Total Debt to EBITDA (Section 7.17)		
1.	Total Debt	\$ _____	
2.	Consolidated Net Income for four past fiscal quarters	\$ _____	
-2-			
95			
<TABLE>			
<S>	<C>	<C>	<C>
3.	Interest Expense for four past fiscal quarters	\$ _____	
4.	Income taxes for four past fiscal quarters	\$ _____	
5.	Amounts properly charged for depreciation of fixed assets for four past fiscal quarters	\$ _____	
6.	Amounts properly charged for amortization of intangible assets for four past fiscal quarters	\$ _____	
7.	Line E2 plus Lines E3, E4, E5 and E6	\$ _____	
8.	Ratio of Line E1 to Line E7	_____ : _____	(Ratio of Line E1 to Line E7 must not be greater than 2.0:1.0)
F.	Subsidiary Debt (Section 7.19)		
1.	Debt of Subsidiaries to Persons other than the Borrower and other Subsidiaries	\$ _____	
2.	Consolidated Tangible Assets (Line C3)	\$ _____	
3.	15% of Line F2	\$ _____	(Line F3 must be equal to or greater than Line F1)

September 12, 1996

To each of the Banks named in the
Credit Agreement defined below

c/o Harris Trust and Savings Bank, as Agent
111 West Monroe Street
Chicago, Illinois 60690

Ladies and Gentlemen:

I am the General Counsel of U.S. Robotics Corporation (the "Borrower"), and I have acted as counsel for the Borrower in connection with the Borrower's authorization, execution and delivery of the Multicurrency Credit Agreement dated as of September 12, 1996, by and among the Borrower, the Banks and the Agent named therein (the "Credit Agreement") and of the Notes issued by the Borrower thereunder. All terms used and not defined herein shall have the meanings ascribed to them in the Credit Agreement.

In connection with this opinion, I have examined such corporate documents and records of the Borrower and its Subsidiaries, certificates of public officials and officers of the Borrower and its Subsidiaries, and such other documents, as I have deemed necessary or appropriate for the purpose of this opinion.

Based upon the foregoing, it is my opinion that:

1. Each of the Borrower and each Subsidiary of the Borrower is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation and is duly qualified as a foreign corporation and in good standing under the laws of each jurisdiction in which a failure to so qualify or be in good standing would reasonably be expected to materially and adversely affect the ownership of property of, or the business and operations conducted by, the Borrower and its Subsidiaries taken as a whole, or the Borrower's ability to perform any of its obligations under any of the Credit Documents.

2. The Borrower has the requisite corporate power and authority to execute, deliver and perform its obligations under the Credit Documents, to borrow thereunder, and to apply for the Letters of Credit. The Borrower has taken all necessary corporate action to authorize such transactions on the terms and conditions of the Credit Documents, and to authorize the execution, delivery and performance of the Credit Documents, including, without limitation, the Applications for the Letters of Credit. Other than such corporate approvals and consents as have been obtained, to the best of my knowledge and belief no consent or authorization of, filing with, or other act by or in respect of, any Person is

97

required in connection with the execution, delivery, performance, validity or enforceability of any of the Credit Documents, any borrowings thereunder or the application for any Letters of Credit. The Credit Agreement and the Notes have been duly executed and delivered on behalf of the Borrower.

3. The execution, delivery and performance of the Credit Documents by the Borrower, and the use of the proceeds of borrowings thereunder and of the credit provided by the Letters of Credit issued thereunder, will not violate or contravene any provision of law or any judgment or decree, or any provision of the Borrower's certificate of incorporation or by-laws or, to the best of my knowledge and belief, any material agreement, instrument or undertaking, to which the Borrower is a party or by which it or any of its Properties is bound and will not result in, or require, the creation or imposition of any Lien on any of the Borrower's Properties or revenues.

4. No litigation, investigation or proceeding of or before any court, arbitrator or governmental authority is pending or, to the best of my knowledge and belief, threatened by or against the Borrower or any of its Subsidiaries or any of their respective Properties or revenues that calls into question the validity or enforceability of any of the Credit Documents or any of the transactions contemplated thereby or which would reasonably be expected to have a material adverse effect on the business, operations, property or financial condition of the Borrower and its Subsidiaries, taken as a whole.

This opinion is given pursuant to Section 6.1(a) of the Credit Agreement, solely for the use of the Banks and Agent and their respective assignees, participants and counsel and are not to be relied upon by any other party without the prior written consent of the undersigned.

Very truly yours,

-2-

98

EXHIBIT I-2
[FORM OF OPINION]

September 12, 1996

To each of the Banks named in the
Credit Agreement defined below

c/o Harris Trust and Savings Bank, as Agent
111 West Monroe Street
Chicago, Illinois 60690

Re: U.S. Robotics Corporation

Ladies and Gentlemen:

We have acted as special Illinois counsel to U.S. Robotics Corporation (the "Borrower") in connection with the preparation and negotiation of that certain Multicurrency Credit Agreement dated as of September 12, 1996 (the "Credit Agreement"), by and among the Borrower, the Banks and the Agent named therein. We are furnishing this opinion to you pursuant to Section 6.1(a) of the Credit Agreement. Unless otherwise defined herein, capitalized terms used herein have the respective meanings assigned to such terms in the Credit Agreement.

In connection with the opinions expressed below, we have examined the Credit Agreement and the Notes and the opinion of George Vinyard, General Counsel to the Borrower (the "Opinion").

In our examination of the documents referred to above, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to the originals of all such documents submitted to us as copies, and the due authority of the persons executing or delivering the same. We have made no independent examination of the records of, or other matters relating to, the Borrower or any of its Subsidiaries. As to factual matters, we have relied on the documents that we have examined. As to matters of law covered by the Opinion, we have relied solely, without independent verification or investigation as to any of the matters referred to therein, on the Opinion and have assumed the correctness of the matters set forth therein, our opinions being subject to the assumptions, qualifications and limitations set forth in the Opinion with respect thereto. We have also assumed that the Credit Agreement has been duly executed and delivered by the Agent and the Banks, with all necessary power and authority and the Credit Agreement is a legal, valid and binding obligation of each of them, enforceable in accordance with its terms.

99

Based upon the foregoing examination of documents and assumptions and having due regard for legal considerations we deem relevant, we are of the opinion that the Credit Agreement and the Notes are the legal, valid and binding obligations of the Borrower, enforceable against the Borrower in accordance with their respective terms.

Our opinion expressed above, with respect to the enforceability of such Credit Documents, is subject to the effects of (a) applicable bankruptcy, insolvency, reorganization, moratorium, rearrangement, liquidation, conservatorship or similar laws of a general application at the time in effect relating to or affecting the rights of creditors generally and (b) general principles of equity, including without limitation concepts of materiality, reasonableness, good faith and fair dealing (regardless of whether considered in a proceeding in equity or at law).

In addition, certain provisions contained in such Credit Documents may be limited or rendered ineffective by applicable laws or judicial decisions governing such provisions or holding their enforcement to be unreasonable under the then existing circumstances, but such laws and judicial decisions do not in our opinion render any of such Credit Documents invalid as a whole or leave you without adequate remedies for the enforcement thereof.

The laws covered by the opinions expressed herein are specifically limited to the laws of the State of Illinois and the Federal laws of the United States of America. The opinions expressed herein are for the sole benefit of,

and may only be relied upon by the Agent and the Banks, and their respective assignees, participants and counsel, and are not to be relied upon by any other party without our prior written consent.

Very truly yours,

MAYER, BROWN & PLATT

-2-

100

EXHIBIT J

COMMITMENT AMOUNT INCREASE REQUEST

Harris Trust and Savings Bank
(the "Agent") and the Banks
referred to below
111 West Monroe Street
Chicago, Illinois 60690

Attention: Agency Services

Re: Credit Agreement dated as of September 12, 1996 (the "Credit Agreement"), among U.S. Robotics Corporation, the Banks from time to time party thereto and Harris Trust and Savings Bank, as Agent

Ladies and Gentlemen:

In accordance with the Credit Agreement, the Borrower hereby requests that the Agent consent to an increase in the aggregate Revolving Credit Commitments (the "Commitment Amount Increase"), in accordance with Section 1.19 of the Credit Agreement, to be effected by [an increase in the Revolving Credit Commitment of [name of existing Bank]] / [the addition of [name of new Bank] (the "New Bank") as a Bank under the terms of the Credit Agreement]. All defined terms used herein and not defined herein shall have the same meaning herein as in the Credit Agreement.

After giving effect to such Commitment Amount Increase, the Commitment of the New Bank shall be \$_____ and the Percentages of all Banks for the purposes of the Credit Agreement will be as set forth on Attachment I hereto.

[INCLUDE PARAGRAPHS 1 - 5 FOR A NEW BANK]

1. The New Bank hereby confirms that it has received a copy of the Credit Agreement and the exhibits and schedules related thereto, together with copies of the documents which were required to be delivered under the Credit Agreement as a condition to the making of a Credit Event thereunder. The New Bank acknowledges and agrees that it has made and will continue to make, independently and without reliance upon the Agent or any other Bank and based on such documents and information as it has deemed appropriate, its own credit analysis and decisions relating to the Credit Agreement. The New Bank further acknowledges and agrees that the Agent has not made any representations or

101
warranties about the creditworthiness of the Borrower or any other party to the Credit Agreement or any other Credit Document or with respect to the legality, validity, sufficiency or enforceability of the Credit Agreement or any other Credit Document or the value of any security therefor.

2. Except as otherwise provided in the Credit Agreement, effective as of the date of acceptance hereof by the Agent, the New Bank (i) shall be deemed automatically to have become a party to the Credit Agreement and have all the rights and obligations of a "Bank" under the Credit Agreement as if it were an original signatory thereto and (ii) agrees to be bound by the terms and conditions set forth in the Credit Agreement as if it were an original signatory thereto.

3. The New Bank hereby advises you of the following administrative details with respect to the its Loans and Commitment(s):

(A) Address for Notices:

Institution Name:

Address:

Attention:

Telephone:

Facsimile:

(B) Payment Instructions:

(C) Effective date of Commitment Amount Increase, which shall not be earlier than 5 Business Days after the date hereof:

4. The Borrower agrees to execute and deliver to the New Bank, if not already a Bank under the Credit Agreement, a Bid Note and Committed Note.

[5. The New Bank has delivered, if appropriate, to the Borrower and the Agent (or is delivering to the Borrower and the Agent concurrently herewith) the tax forms referred to in Section 11.1 of the Credit Agreement.]*

THIS AGREEMENT SHALL BE DEEMED TO BE A CONTRACTUAL OBLIGATION UNDER, AND SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF ILLINOIS.

* Insert bracketed paragraph if New Bank is organized under the law of a jurisdiction other than the United States of America or a state thereof.

-2-

102

The Commitment Amount Increase shall be effective when the executed consent of the Agent is received or otherwise in accordance with Section 1.19 of the Credit Agreement, but not in any case prior to _____, _____. It shall be a condition to the effectiveness of the Commitment Amount Increase that no Loans shall be outstanding on the date of such effectiveness.

The Borrower hereby certifies that no Default or Event of Default has occurred and is continuing.

Please indicate the Agent's consent to such Commitment Amount Increase by signing the enclosed copy of this letter in the space provided below and returning the same to the Borrower no later than _____, _____.

Very truly yours,

U.S. ROBOTICS CORPORATION

By _____

Title: _____

[NEW BANK] / [BANK
INCREASING COMMITMENT]

By _____

Title: _____

The undersigned hereby consents on this _____ day of _____, ____ to the above requested Commitment Amount Increase.

By: _____

Title: _____

-3-

103

SCHEDULE 5.1

LIABILITIES OF U.S. ROBOTICS CORPORATION

\$60,000,000 7.52% Senior Notes due June 30, 2001.

-4-

104

SCHEDULE 5.2

SUBSIDIARIES OF U.S. ROBOTICS CORPORATION

(INCLUSION OF ANY SUBSIDIARY ON THIS SCHEDULE DOES NOT IMPLY THAT IT IS A MATERIAL SUBSIDIARY AS DEFINED IN THE CREDIT DOCUMENTS)

<TABLE>
<CAPTION>

NAME	JURISDICTION OF INCORPORATION	PERCENTAGE OWNERSHIP
U.S. Robotics Access Corp.	Delaware	100%
Megahertz Holding Inc.	Utah	100%
ISDN Systems Corporation	Maryland	100%
Palm Computing, Inc.	California	100%
Amber Wave Systems, Inc.	Delaware	100%
U.S. Robotics Research Corp.	Delaware	100%
U.S. Robotics Deutschland Gmbh	Germany	100%

U.S. ROBOTICS ACCESS CORP SUBSIDIARIES:

U.S. Robotics, s.a.	France	100% (1)
U.S. Robotics European Coordination Center SARL	France	100%
P.N.B., s.a.	France	100% (1)
US Robotics PCD SARL	France	100%
US Robotics Logistics SARL	France	100%
US Robotics Systems SARL	France	100%
USR Limited	United Kingdom	100%
U.S. Robotics Limited	United Kingdom	100%
U.S. Robotics Italia S.r.L.	Italy	100%
U.S.R. Sales Corporation	U.S. Virgin Islands	100%
USR International, Inc.	Delaware	100%
USR Middle East Holdings, Inc.	Delaware	100%
Scorpio Communications, Ltd.	Israel	100%
USR Robotics Services Limited	Ireland	100%
U.S. Robotics Europe Limited	Ireland	100%

</TABLE>

(1) Wholly-owned, except for directors' qualifying shares.

105

MEGAHERTZ HOLDING INC. SUBSIDIARIES:

<TABLE>

</TABLE>

-2-

106
SCHEDULE 5.12
REAL PROPERTY

<TABLE>
<CAPTION>

LOCATION	INTEREST	LIENS
	<C>	<C>
<S> 8100 N. McCormick Blvd. Skokie, IL 60076	Owned	None
8111 N. St. Louis Skokie, IL 60076	Owned	None
3400 Oakton St. Skokie, IL 60076	Owned	None
605 North 5600 West Salt Lake City, UT 84116	Owned	None
940 Idaho Maryland Rd. Grass Valley, CA 95945	Leased	None
443 Crown Point Circle Suite A Grass Valley, CA 95945	Leased	None
500 Crown Point Circle Grass Valley, CA 95945	Leased	None
19100 Von Karman Avenue Suite 680 Irvine, CA 92715	Leased	None
4410 El Camino Real Suite 108 Los Altos, CA 94087	Leased	None
Charleston Place 1565 & 1585 Charleston Road Mountain View, CA	Leased	None
5201 Great American Pkwy Suite 320 Santa Clara, CA 95054	Leased	None

</TABLE>

-1-

107
<TABLE>
<S>
321 Main Street
Farmington, CT 06032

One Tabor Center
1200 17th Street, Suite 530
Denver, CO 80202

1000 Mansell Exchange West
Suite 250
Alpharetta, GA 30202

10440 Little Patuxent Parkway

	<C>	<C>
321 Main Street Farmington, CT 06032	Leased	None
One Tabor Center 1200 17th Street, Suite 530 Denver, CO 80202	Leased	None
1000 Mansell Exchange West Suite 250 Alpharetta, GA 30202	Leased	None
10440 Little Patuxent Parkway	Leased	None

Suite 900 Columbia, MD 21044		
4 Technology Drive Westborough, MA 01581	Leased	None
Two Penn Plaza 10th Floor, Suite 1088 New York, NY 10121	Leased	None
2801 Yorkmont Road Charlotte, NC 28208	Leased	None
5429 LBJ Freeway Suite 700 Dallas, TX 75240	Leased	None
2500 City West Blvd. Destec Tower, Suite 300 Houston, TX 77042	Leased	None
2070 Chain Ridge Road Vienna, VA 22182	Leased	None
500 108th Avenue Suite 848 Bellevue, WA 98004	Leased	None
Sterling Plaza 3535 128th Avenue, S.E. Suite 110 Bellevue, WA 98006	Leased	None

-2-

108 <TABLE> <S>		
6201 West Oakton Street Morton Grove, IL 60053	<C> Owned	<C> None
7770 North Frontage Road Skokie, IL 60077	Owned	None
1800 West Central Road Mt. Prospect, IL 60056	Leased	None
3800 Golf Road Rolling Meadows, IL 60006	Leased	None
CANADA 5420 North Service Road Burlington, Ontario L7L 6C7	Leased	None
ENGLAND Arundell House 1 Farm Yard Windsor, Berkshire, SL4 1QL	Leased	None
650 Wharfedale Road Winnersh Triangle Wokingham, Berkshire	Leased	None
FRANCE City Parc 3 Rue Lavoisier F-59650 Villeneuve d'Ascq	Leased	None
European Distribution Center rue Jules Verne Centre de Gos n 2 F-59818 Lesquin	Leased	None
Tour Kupka A 18, Rue Hoche 92800 Paris la Defense France	Leased	None

PBN
4 Rue Jean Mace
92150 Suresnes

Leased

None

</TABLE>

-3-

109		
<TABLE>		
<S>	<C>	<C>
GERMANY	Leased	None
Munchner Str. 12 85774 Unterfohning Munich		
IRELAND	Leased	None
Europa House Harcourt St. Dublin 2		
ITALY	Leased	None
Via Cavriana 3 20134 Milan		
</TABLE>		

-4-

110

SCHEDULE 7.9

EXISTING LIENS

1. Megahertz Land and Building
Borrower: Megahertz Corporation and Megahertz Holding Corporation
Lender: Zions First National Bank
P.O. Box 25822
Salt Lake City, UT 84125
Collateral: Land and Building at 605 North 5600 West, Salt Lake City, UT
Outstanding Principal of Secured
Obligation: \$4,889,000
2. Telephone Equipment
Borrower: U.S. Robotics Access Corp.
Lender: Octel Communications Corp.
Collateral: Telephone Equipment
Outstanding
Principal: \$4,500
3. Office Equipment
Borrower: PNB, S.A.
Lender: Locabail
Collateral: Office Equipment
Outstanding
Principal: FRF 118,500
4. Office Equipment
Borrower: PNB, S.A.
Lender: Credit Universal
Collateral: Office Equipment
Outstanding
Principal: FRF 262,879

111

SCHEDULE 7.14

PERMITTED LIQUID INVESTMENTS

TAXABLE FIXED INCOME SECURITIES:

- A. Direct obligations of the United States Government and obligations fully guaranteed by any agency thereof.

B. Investments in corporate fixed income securities and convertible bonds denominated in U.S. dollars.

C. Demand/Master Notes.

D. Commercial paper.

E. Bank Obligations - Direct obligations of banks (e.g., certificates of deposit (CD's), banker's acceptances (BA's), and Bank Investment Contracts) which are organized and operating in the United States and are members of the FDIC (certain obligations of which, however, may not be subject to FDIC insurance); obligations of foreign branches of such banks (e.g., Eurodollar time deposits (TD's)).

F. Foreign Bank Obligations (including CD's, BA's and TD's) of the domestic branches of foreign banks subject to the banking laws of the United States or any state thereof. All obligations must be denominated in U.S. dollars.

G. Repurchase agreements - underlying securities must meet the qualification specified below.

H. Dollar Denominated Commercial Paper of Foreign issuers rated A-1, P-1 or better.

I. Asset-backed securities.

QUALITY STANDARDS

All issues held shall be of investment grade quality, or equivalent if unrated. Commercial Paper shall be rated one of the two highest ratings by Moody's or Standard & Poor's (A-1, P-1 or A-2, P-2).

TAX ADVANTAGED INVESTMENTS

A. Obligations of any state, county, city, or other political subdivision

B. Preferred Stocks

112

Quality Standards

All long-term issues shall be of investment grade quality, or equivalent if unrated. Short-term issues shall be limited to the two highest rating categories of Moody's or Standard & Poor's, or equivalent if unrated.

FIRST RESTATEMENT OF THE
 U.S. ROBOTICS CORPORATION
 401(K) RETIREMENT SAVINGS PLAN
 (Restated Effective April 1, 1996)

TABLE OF CONTENTS

	Page
<TABLE>	
<S>	<C>
INTRODUCTION	1
ARTICLE 1 - DEFINITIONS	2
1.1. ACCOUNT(S)	2
1.2. ACCOUNT BALANCE(S)	2
1.3. AFFILIATE	2
1.4. ANNUITY STARTING DATE	2
1.5. APPROVED ABSENCE	2
1.6. BENEFICIARY	2
1.7. BOARD	2
1.8. BREAK IN SERVICE	2
1.9. CODE	2
1.10. COMPANY	2
1.11. COMPANY CONTRIBUTION ACCOUNT	2
1.12. COMPANY CONTRIBUTIONS	3
1.13. COMPENSATION	3
1.14. DATE OF EMPLOYMENT OR REEMPLOYMENT	3
1.15. EFFECTIVE DATE	3
1.16. EMPLOYEE	3
1.17. EMPLOYEE SALARY REDUCTION CONTRIBUTION ACCOUNT	3
1.18. EMPLOYEE SALARY REDUCTION CONTRIBUTIONS	3

1.19. ENTRY DATE	3
1.20. ERISA	3
1.21. FORFEITURE	3
1.22. HIGHLY COMPENSATED EMPLOYEE	3
1.23. HOUR OF SERVICE	4

</TABLE>

<TABLE>

<S>	<C>
1.24. INVESTMENT MANAGER	5
1.25. LIMITATION YEAR	5
1.26. MATCHING CONTRIBUTION ACCOUNT	5
1.27. MATCHING CONTRIBUTIONS	5
1.28. NORMAL RETIREMENT AGE	5
1.29. PARTICIPANT	5
1.30. PARTICIPATING EMPLOYER	5
1.31. PLAN	5
1.32. PLAN ADMINISTRATOR	5
1.33. PLAN YEAR	6
1.34. PRIOR PLAN	6
1.35. ROLLOVER ACCOUNT	6
1.36. ROLLOVER CONTRIBUTIONS	6
1.37. TOTAL AND PERMANENT DISABILITY	6
1.38. TRUST AGREEMENT AND TRUST	6
1.39. TRUST FUND	6
1.40. TRUSTEE	6
1.41. VALUATION DATE	6
1.42. VESTED INTEREST	6
1.43. YEAR OF VESTING SERVICE	6
ARTICLE 2 - ELIGIBILITY AND PARTICIPATION	7
2.1. ELIGIBILITY	7
2.2. TERMINATION AND REEMPLOYMENT	7
ARTICLE 3 - CONTRIBUTIONS	8
3.1. COMPANY CONTRIBUTIONS	8
3.2. EMPLOYEE SALARY REDUCTION CONTRIBUTIONS	8
3.3. MATCHING CONTRIBUTIONS	10
3.4. NONDISCRIMINATION TEST FOR MATCHING CONTRIBUTIONS	11

</TABLE>

<TABLE>

<S>

<C>

3.5. SPECIAL COMPANY CONTRIBUTIONS	12
3.6. ROLLOVERS	12
3.7. TRANSFERS OF ASSETS TO THE PLAN	13
ARTICLE 4 ALLOCATIONS, ACCOUNTING, AND ADJUSTMENTS	13
4.1 COMPOSITION OF TRUST FUND	14
4.2 ALLOCATION OF EARNINGS TO ACCOUNTS	14
4.3 ELIGIBILITY FOR ALLOCATION OF COMPANY CONTRIBUTIONS AND	15
4.4 MAXIMUM ANNUAL ADDITIONS	15
4.5 PARTICIPATION IN DEFINED BENEFIT PLAN	16
4.6 ALLOCATION OF COMPANY CONTRIBUTIONS	17
ARTICLE 5 - VESTING	17
5.1 PARTICIPANT CONTRIBUTIONS	17
5.2 COMPANY AND MATCHING CONTRIBUTION ACCOUNTS	17
5.3 TERMINATION OF EMPLOYMENT	17
ARTICLE 6 - TIME AND METHOD OF PAYMENT	19
6.1 MANNER OF PAYMENT - EMPLOYEES OF CERTAIN PARTICIPATING EMPLOYERS	19
6.2 OPTIONAL FORMS OF PAYMENT FOR SECTION 6.1(A) DESIGNATED EMPLOYEES	20
6.3 DEATH BENEFITS	21
6.4 NORMAL FORM OF PAYMENT FOR EMPLOYEES	23
6.5 TIME OF PAYMENT	24
6.6 DISTRIBUTION OF UNALLOCATED CONTRIBUTIONS	25
6.7 CERTAIN RETROACTIVE PAYMENTS	25
6.8 BENEFICIARY	25
6.9 ADMINISTRATIVE POWERS RELATING TO PAYMENTS	26
6.10 LOCATION OF PARTICIPANT OR BENEFICIARY UNKNOWN	26
ARTICLE 7 - WITHDRAWALS	26
7.1 AVAILABILITY OF LOANS	26

</TABLE>

iii

<TABLE>

<S>

<C>

7.2 HARDSHIP WITHDRAWALS	30
7.3 OTHER WITHDRAWALS	32
ARTICLE 8- MANAGEMENT OF FUNDS	32
8.1 TRUSTEE AND TRUST AGREEMENT	33
8.2 ASSETS OF THE TRUST FUND	33
8.3 TRUST CONTRIBUTIONS	33

8.4 DIRECTED INVESTMENT ACCOUNTS	33
ARTICLE 9 - ADMINISTRATION OF PLAN	34
9.1 PLAN ADMINISTRATOR	35
9.2 RIGHTS, POWERS AND DUTIES OF PLAN ADMINISTRATOR	35
9.3 EXERCISE OF PLAN ADMINISTRATOR'S DUTIES	36
9.4 INDEMNIFICATION OF FIDUCIARIES	36
9.5 COMPENSATION	36
9.6 EXPENSES	37
ARTICLE 10 - CLAIMS PROCEDURES	37
10.1 CLAIMS REVIEW	37
10.2 APPEALS PROCEDURE	37
ARTICLE XI - AMENDMENT AND TERMINATION	38
11.1 TERMINATION	38
11.2 RIGHT TO AMEND, MODIFY, CHANGE OR REVISE PLAN	38
11.3 MERGER AND CONSOLIDATION OF PLAN; TRANSFER OF PLAN ASSETS	39
ARTICLE XII - TOP-HEAVY PROVISIONS	40
12.1 DEFINITIONS	40
12.2 SPECIAL CODE SECTION 415 LIMITATIONS	42
12.3 MISCELLANEOUS	42
12.4 MINIMUM ALLOCATION REQUIREMENTS	42

</TABLE>

iv

6

<TABLE>

<S>

<C>

ARTICLE XIII - PARTICIPATING EMPLOYERS	43
13.1 ADOPTION BY OTHER EMPLOYERS	43
13.2 REQUIREMENTS OF PARTICIPATING EMPLOYERS	43
13.3 DESIGNATION OF AGENT	43
13.4 EMPLOYEE TRANSFERS	44
13.5 PARTICIPATING EMPLOYERS CONTRIBUTION	44
13.6 AMENDMENT	44
13.7 DISCONTINUANCE OF PARTICIPATION	44
13.8 PLAN ADMINISTRATOR'S AUTHORITY	44
ARTICLE XIV - MISCELLANEOUS	45
14.1 NO CONTRACT OF EMPLOYMENT	45
14.2 RESTRICTIONS UPON ASSIGNMENTS AND CREDITORS' CLAIMS	45
14.3 RESTRICTION OF CLAIMS AGAINST TRUST	45
14.4 BENEFITS PAYABLE BY TRUST	46
14.5 SAVINGS CLAUSE	46
14.6 SUCCESSOR TO COMPANY	46
14.7 APPLICABLE LAW	46
14.8 DATA	46
14.9 INTERNAL REVENUE SERVICE APPROVAL	46

FIRST RESTATEMENT
OF THE U.S. ROBOTICS CORPORATION
401(K) RETIREMENT SAVINGS PLAN

INTRODUCTION

U.S. Robotics Corporation, a Delaware corporation, has amended and restated, effective April 1, 1996, the profit sharing and savings plan for its eligible Employees known as the First Restatement of the U.S. Robotics Corporation 401(k) Retirement Savings Plan (the "Plan"). The Plan constitutes a continuation and restatement of the U.S. Robotics, Inc. Employees' Retirement Investment Plan (the "Prior Plan"), which was effective January 1, 1989.

The Plan has been restated as a result of a reorganization effected February 22, 1995, whereby, pursuant to such reorganization, U.S. Robotics, Inc., the former Plan sponsor, which now is known as U.S. Robotics Access Corp., became a wholly-owned subsidiary of the Company. As part of this corporate reorganization, the Plan has been restated in order to (i) designate the Company as the Plan sponsor; (ii) make certain design changes in the Plan; (iii) permit certain wholly-owned subsidiaries of the Company to become Participating Employers into the Plan; and (iv) reflect the merger into the Plan of those plans previously maintained by Participating Employers and other entities that have merged into U.S. Robotics Access Corp.

The amendment and restatement of the Prior Plan shall not in any way affect the rights of the Employees who participated in accordance with the provisions of the Prior Plan or the plans that were merged into the Plan. All matters relating to the benefits, if any, payable to such Employees (or their Beneficiaries), based upon events occurring prior to April 1, 1996, shall be determined in accordance with the applicable provisions of the Prior Plan (or the plans of the Participating Employers or other entities that have merged into U.S. Robotics Access Corp.), to the extent that there are any inconsistencies between the Plan and the Prior Plan (or the plans of the Participating Employers or other entities that have merged into U.S. Robotics Access Corp.).

ARTICLE

1.

DEFINITIONS

Whenever used herein with the initial letter capitalized, words and phrases shall have the meanings stated below unless a different meaning is plainly required by the context. For purposes of construction of this Plan, the masculine term shall include the feminine and the singular shall include the plural in all cases in which they could thus be applied, unless the context clearly indicates the gender or the number.

- 1.1 ACCOUNT(S) means the Employee Salary Reduction Contribution Account, the Company Contribution Account, the Matching Contribution Account, and the Rollover Account, any or all of which may be maintained for the benefit of each Participant.
- 1.2 ACCOUNT BALANCE(S) means, for each Participant, the total balance standing to his Account or Accounts on the date of reference determined in accordance with valuation procedures described in Sections 4.2 and 8.4.
- 1.3 AFFILIATE means any corporation or other business entity that is included in a controlled group of corporations within which a Company is also included, as provided in Section 414(b) of the Code (as modified, for purposes of Sections 4.4 and 4.5 of the Plan, by Section 415(h) of the Code); or which is a trade or business under common control with a Company, as provided in Section 414(c) of the Code (as modified, for purposes of Sections 4.4 and 4.5 of the Plan, by Section 415(h) of the Code); or which constitutes a member of an affiliated service group within which a Company is also included, as provided in Section 414(m) of the Code; or which is required to be aggregated with a Company pursuant to regulations issued under Section 414(o) of the Code.
- 1.4 ANNUITY STARTING DATE means the first day of the first period for which an amount is payable as an annuity or in any other form.
- 1.5 APPROVED ABSENCE means an absence from work approved by a Company under uniform rules and conditions for all Employees.
- 1.6 BENEFICIARY means the person, persons or entity designated by a

Participant to receive any benefits under the Plan which may be due upon the Participant's death.

- 1.7 BOARD means the Board of Directors of the Company.
- 1.8 BREAK IN SERVICE means any twelve (12) consecutive month period beginning on an Employee's Date of Employment, and succeeding anniversaries thereof, in which an Employee completes five hundred (500) or fewer Hours of Service.
- 1.9 CODE means the Internal Revenue Code of 1986, as amended from time to time.
- 1.10 COMPANY means U.S. Robotics Corporation, a Delaware corporation; any Participating Employer that, with the consent of U.S. Robotics Corporation, shall adopt this Plan; and any successor that shall maintain this Plan. Where, in the context of the Plan, Company refers to a single entity, Company means U.S. Robotics Corporation. Effective April 1, 1996, the following companies shall be Participating Employers in the Plan: U.S. Robotics Access Corp., U.S. Robotics Mobile Communications Corp. and Palm Computing, Inc.

2

9

- 1.11 COMPANY CONTRIBUTION ACCOUNT means the separate Account that shall be maintained by the Trustee for each Participant to reflect all Company Contributions made on behalf of such Participant and any earnings or losses thereon.
- 1.12 COMPANY CONTRIBUTIONS means the amount a Company may pay to the Trust on behalf of each Participant for each Plan Year, as set forth in Section 3.1 of the Plan.
- 1.13 COMPENSATION means the total compensation paid to an Employee by a Company in a Plan Year as reported on an Employee's Form W-2 for income tax withholding purposes, plus an Employee's Employee Salary Reduction Contributions under the Plan and any salary reduction contributions made on behalf of an Employee to a plan maintained under Code Section 125, and reduced by any amounts recognized as taxable compensation to an Employee under Section 83 of the Code. If an Employee becomes a Participant during a Plan Year, his Compensation in such Plan Year for purposes of determining the amount of the Company Contributions contributed on his behalf shall be his Compensation for the full Plan Year. Compensation in excess of one hundred fifty thousand dollars (\$150,000) (or such other amount as may be established by the Secretary of the Treasury) shall be disregarded. In determining Compensation, the rules of Section 414(q)(6) of the Code shall apply, except in applying such rules, the term "family"

shall include only the spouse of the Employee and any lineal descendants of the Employee who have not attained age nineteen (19) before the close of the Plan Year. If, as a result of the application of such rules, the one hundred fifty thousand dollar (\$150,000) limitation is exceeded, then the limitation shall be prorated among the affected individuals in proportion to each such individual's Compensation as determined under this Section 1.13 prior to the application of this limitation.

- 1.14 DATE OF EMPLOYMENT OR REEMPLOYMENT means the first day an Employee performs an Hour of Service.
- 1.15 EFFECTIVE DATE means April 1, 1996 (except as otherwise set forth herein), the effective date of this amended and restated Plan.
- 1.16 EMPLOYEE means a person employed by a Company, including any leased employees, as defined under Section 414(n) of the Code, but excluding any independent contractors not considered to be leased employees under Section 414(n) of the Code.
- 1.17 EMPLOYEE SALARY REDUCTION CONTRIBUTION ACCOUNT means the separate Account maintained for each Participant to reflect Employee Salary Reduction Contributions and any earnings or losses thereon.
- 1.18 EMPLOYEE SALARY REDUCTION CONTRIBUTIONS means the contributions made by a Company that are attributable to the reduction in Compensation a Participant agrees to accept from his Company each Plan Year as described in Section 3.2.
- 1.19 ENTRY DATE means, prior to April 1, 1996, the date upon which the Participant fulfills the eligibility requirements of the Prior Plan or any plan of a Participating Employer in which the Participant then participated, and, after March 31, 1996, the first day of the calendar month coincident with or next following the date the Participant fulfills the eligibility requirements of Section 2.1.
- 1.20 ERISA means the Employee Retirement Income Security Act of 1974, as amended from time to time.

- 1.21 FORFEITURE means the portion of a Participant's Matching Contribution Account and Company Contribution Account to which he is not entitled at his termination of employment, as determined under Section 5.3.
- 1.22 HIGHLY COMPENSATED EMPLOYEE means any Employee who during a Plan Year performs services for a Company and any Affiliate and who:

- (a) Was at any time a five percent (5%) owner of a Company (within the meaning of Section 416(i)(1) of the Code);
- (b) Received Compensation from a Company and any Affiliate for the Plan Year in excess of seventy-five thousand dollars (\$75,000) (or such other amount as determined under Section 414(q) of the Code);
- (c) Received Compensation from a Company and any Affiliate for the Plan Year in excess of fifty thousand dollars (\$50,000) (or such other amount as determined under Section 414(q) of the Code) and was in the top twenty percent (20%) of the group of employees determined under Section 414(q)(8) of the Code when ranked on the basis of Compensation in such Plan Year; or
- (d) Was at any time an officer of a Company or any Affiliate and received Compensation from a Company and any Affiliate for the Plan Year in excess of fifty percent (50%) of the amount in effect under Section 415(b)(1)(A) of the Code for such Plan Year. For purposes of this Section 1.22, in the event that no officer of a Company or any Affiliate received Compensation from a Company or any Affiliate in excess of fifty percent (50%) of the amount in effect under Section 415(b)(1)(A) of the Code for such Plan Year, the highest paid officer shall be treated as highly compensated. Further, no more than fifty (50) Employees or, if less, the greater of three (3) Employees or ten percent (10%) of the Employees shall be treated as officers for purposes of this Section 1.22 in determining a Highly Compensated Employee.

If any individual is the spouse, lineal ascendant, lineal descendant or spouse of a lineal ascendant or descendant of a five percent (5%) owner (whether active or former) or of a Highly Compensated Employee in the group consisting of the ten (10) Highly Compensated Employees paid the greatest Compensation during the year, then such individual shall not be treated as a separate Employee, and any Compensation paid to such individual (and any Employee Salary Reduction Contributions on behalf of such individual) shall be aggregated with and treated as if paid to (or on behalf of) the five percent (5%) owner or Highly Compensated Employee and such individual and five percent (5%) owner or Highly Compensated Employee shall be treated as a single Employee.

The determination of who is a Highly Compensated Employee, including the determination of the number and identity of Employees in the top paid group, the number of Employees treated as officers and the Compensation that is taken into account, shall be made in accordance with Code Section 414(q) and Section 1.414(q)-1 T of the temporary Tax Regulations, or any successor thereto, to the extent they are inconsistent with the method established above.

1.23 HOUR OF SERVICE means:

- (a) Each hour for which an Employee is paid or entitled to payment for the performance of duties for a Company or an Affiliate. These hours shall be credited to the Employee for the computation period or periods in which the duties are performed; and

4

11

- (b) Each hour for which an Employee is paid or entitled to payment by a Company or an Affiliate on account of a period of time during which no duties are performed (irrespective of whether the employment relationship has terminated) due to vacation, holiday, illness, incapacity (including disability), layoff, jury duty, military duty, or Approved Absence. No more than five hundred one (501) Hours of Service shall be credited under this paragraph (b) for any single continuous period (whether or not such period occurs in a single computation period). Hours of Service under this paragraph (b) shall be calculated and credited pursuant to Section 2530.200b-2 of the Department of Labor Regulations, which are incorporated herein by this reference; and
- (c) Each hour for which back pay, irrespective of mitigation of damages, is either awarded or agreed to by a Company or an Affiliate. The same Hours of Service shall not be credited both under paragraph (a) or paragraph (b), as the case may be, and under this paragraph (c). These hours shall be credited to the Employee for the computation period or periods to which the award, agreement, or payment pertains rather than the computation period in which the award, agreement, or payment is made; and
- (d) In the event that records are not kept which accurately reflect the number of hours worked, an Employee shall be credited with forty-five (45) Hours of Service for each week in which he would be credited with at least one (1) Hour of Service; and
- (e) Solely for purposes of determining whether a Break in Service has occurred, an Employee who is absent from work for maternity or paternity reasons shall receive credit for the Hours of Service which would otherwise have been credited to him but for such absence or, in any case in which such Hours of Service cannot be determined, eight (8) Hours of Service per day of such absence. For purposes of this paragraph (e), an absence from work for maternity or paternity reasons means an absence by reason of the pregnancy of the Employee, by reason of a birth of a child of the Employee, by reason of the placement of a child with the Employee in connection with the adoption of such child by the Employee, or for purposes of caring for such child for a period beginning immediately following such

birth or placement. Any hour under this paragraph (e) which is considered an Hour of Service under paragraph (b) shall not be considered under this paragraph (e). The Hours of Service credited under this paragraph (e) shall be credited in the computation period in which the absence begins if the crediting is necessary to prevent a Break in Service in that computation period or, in all other cases, in the immediately following computation period.

Notwithstanding the foregoing, no credit shall be given for Hours of Service under this paragraph (e) unless the Employee furnishes the Plan Administrator such timely information as the Plan Administrator may reasonably require to establish that the absence from work is because of maternity or paternity leave and the number of days for which there was such an absence.

1.24 INVESTMENT MANAGER means any person, firm, or corporation who is a registered investment advisor under the Investment Advisors Act of 1940, a bank, or an insurance company, and (i) who has the power to manage, acquire, or dispose of Plan assets, and (ii) who acknowledges in writing his fiduciary responsibility to the Plan.

1.25 LIMITATION YEAR means the Plan Year.

5

12

1.26 MATCHING CONTRIBUTION ACCOUNT means the separate Account maintained for each Participant to reflect the Matching Contributions made on behalf of the Participant and any earnings or losses thereon.

1.27 MATCHING CONTRIBUTIONS means the contributions made to the Matching Contribution Account of a Participant by his Company as provided in Section 3.3.

1.28 NORMAL RETIREMENT AGE means age sixty-five (65).

1.29 PARTICIPANT means an Employee who fulfills the eligibility requirements as provided in Article II and who continues to qualify for participation, and any former Employee who continues to have an Account in the Plan.

1.30 PARTICIPATING EMPLOYER means any employer who adopts this Plan pursuant to Article XIII.

1.31 PLAN means the First Restatement of the U.S. Robotics Corporation 401(k) Retirement Savings Plan.

1.32 PLAN ADMINISTRATOR means the Company, or any person designated by the Company to administer the Plan.

1.33 PLAN YEAR means the calendar year.

- 1.34 PRIOR PLAN means the U.S. Robotics, Inc. Employees' Retirement Investment Plan, as it existed prior to April 1, 1996.
- 1.35 ROLLOVER ACCOUNT means the separate Account which shall be maintained for a Participant or Employee to reflect any Rollover Contributions made by the Participant or Employee and any earnings or losses thereon.
- 1.36 ROLLOVER CONTRIBUTIONS means the contributions made by a Participant or Employee, as set forth in Section 3.6 of the Plan.
- 1.37 TOTAL AND PERMANENT DISABILITY means a physical or mental condition of a Participant resulting from bodily injury, disease, or mental disorder that renders such Participant incapable of continuing his usual and customary employment with a Company, as determined by a licensed physician chosen by the Plan Administrator; provided, however, and notwithstanding the foregoing, if a Participant meets the requirements for disability under the Social Security law then in effect, such Participant shall be deemed to have incurred a Total and Permanent Disability under the Plan. Uniform standards shall apply to Participants in similar conditions.
- 1.38 TRUST AGREEMENT AND TRUST mean, respectively, the agreement between the Company and the Trustee governing the administration of the Trust, as it may be amended from time to time, and the Trust established thereunder.
- 1.39 TRUST FUND means all cash, securities, real estate, or any other property held under the Trust Agreement for purposes of the Plan, together with income thereon.
- 1.40 TRUSTEE means the person, persons, entity, or entities appointed by the Company as provided under Section 8.1 of the Plan to act as Trustee of the Trust.
- 1.41 VALUATION DATE means any date that the New York Stock Exchange is open for business. In addition, the Company may in its discretion adopt more frequent

Valuation Dates for purposes of allocating earnings and/or contributions under the Plan.

- 1.42 VESTED INTEREST means that portion of a Participant's Account which is nonforfeitable and vested, based upon the Participant's Years of Vesting Service.
- 1.43 YEAR OF VESTING SERVICE means any consecutive twelve (12) month period of

employment ending on an Employee's anniversary of employment with the Company or an Affiliate in which an Employee completes at least one thousand (1,000) Hours of Service.

If an Employee incurs a Break in Service and is thereafter reemployed by a Company or an Affiliate, he shall be considered a new Employee for purposes of the Plan, except:

- (a) If the Employee had a Vested Interest prior to such Break in Service;
- (b) If the Years of Vesting Service credited to him prior to such Break in Service exceed his consecutive years of Breaks in Service; or
- (c) If he is reemployed by a Company or an Affiliate prior to incurring a five (5) consecutive year Break in Service,

the Years of Vesting Service that the Employee had prior to such Break in Service shall be reinstated on the Date of Reemployment, provided he completes one (1) Year of Vesting Service following his reemployment.

ARTICLE

2.

ELIGIBILITY AND PARTICIPATION

2.1 ELIGIBILITY

- (a) Each Employee who was a Participant in the Prior Plan on the day prior to the Effective Date (or was a Participant on the day prior to the Effective Date in a plan that was merged into the Plan on the Effective Date) shall participate or continue to participate, as the case may be, in the Plan on the Effective Date, provided he is still an Employee on the Effective Date. Each other Employee of a Company shall become a Participant in the Plan on the first Entry Date on or after the Effective Date which is coincident with or next follows the date on which he attains age twenty-one (21) and completes three (3) consecutive months of service, provided he is an Employee on that Entry Date. For purposes of this Section 2.1, an Employee shall complete a month of service if he completes one (1) Hour of Service during such month and is employed by a Company or any Affiliate on the last day of such monthly cycle.
- (b) Notwithstanding anything to the contrary, (i) an Employee included in a unit of employees covered by a collective bargaining agreement with a Company where retirement benefits were the subject of good faith bargaining between employee representatives and such

Company shall not be eligible to participate in the Plan, except to the extent the benefits provided by the Plan are specifically included under said collective bargaining agreement; and (ii) an Employee who is a nonresident alien deriving no earned income from a Company which constitutes income from sources in the United States shall not be eligible to participate in the Plan.

7

14

2.2 TERMINATION AND REEMPLOYMENT

- (a) A Participant who terminates employment and is subsequently reemployed as an Employee shall become a Participant again on the Entry Date coincident with or next following his Date of Reemployment.
- (b) An Employee who terminates employment after being eligible to become a Participant, but prior to the Entry Date coincident with or next following the date upon which he first becomes eligible to enter the Plan, and who then is reemployed before incurring a Break in Service, shall be eligible to become a Participant on his Date of Reemployment.
- (c) An Employee who terminates employment before becoming eligible to become a Participant and who is reemployed before incurring a Break in Service shall be eligible to become a Participant when he satisfies the eligibility requirements of Section 2.1, based on his original Date of Employment.
- (d) An Employee who terminates employment before becoming a Participant and who is reemployed after incurring a Break in Service shall be eligible to become a Participant when he satisfies the eligibility requirements of Section 2.1, based on his Date of Reemployment.

8

15

ARTICLE

3.

CONTRIBUTIONS

3.1 COMPANY CONTRIBUTIONS

A Company may contribute to the Trust Fund for each Plan Year, as Company Contributions, such amount as it shall determine in its sole discretion; provided, however, that the contribution for any Plan Year shall not exceed the maximum amount deductible by such Company for such Plan Year for Federal income tax purposes under Section 404 of the Code. A Company may determine that no Company Contribution shall be made for a particular year.

3.2 EMPLOYEE SALARY REDUCTION CONTRIBUTIONS

- (a) Each Participant shall have the option to enter into a written (or by any other means approved by the Company) salary reduction agreement with his Company effective on any Entry Date, which agreement shall be applicable to all Compensation received thereafter. The salary reduction agreement shall provide that the Participant agrees to accept a reduction in salary from his Company equal to an integral percentage of from one percent (1%) to fifteen percent (15%) of his Compensation. A Company shall contribute to the Trust Fund, as soon as practicable after the end of each payroll period, but not later than the time period that may be mandated by law or by regulation, whichever date is earlier, an amount equal to the Employee Salary Reduction Contributions of all of its Participants for such payroll period.
- (b) Each Participant may change the amount of his Employee Salary Reduction Contributions, effective as of any Entry Date, by means of an appropriate authorization or notice to his Company, on a form or in the manner prescribed by the Plan Administrator. The change shall be effective as soon as practicable after the receipt of the authorization or notice by the Plan Administrator, but no earlier than the Entry Date following the receipt of the authorization or notice. The Plan Administrator may establish additional rules regarding the timing and frequency of a change in the amount of Employee Salary Reduction Contributions, provided such policy is applied uniformly to all Participants.
- (c) Each Participant may elect to discontinue his Employee Salary Reduction Contributions by means of an appropriate authorization or notice to his Company, on a form or in the manner prescribed by the Plan Administrator. The change shall be effective as soon as practicable after the receipt of the authorization or notice by the Plan Administrator. The Participant may elect to resume his Employee Salary Reduction Contributions as of a subsequent Entry Date by filing another authorization or notice with his Company.
- (d) Each Company shall direct the Plan Administrator to establish and maintain an Employee Salary Reduction Contribution Account in the name of each of its Participants who elects to enter into a

salary reduction agreement.

- (e) The maximum amount of Employee Salary Reduction Contributions that can be made on behalf of each Participant in the 1996 calendar year to this Plan and any other qualified plan shall not exceed nine thousand five hundred dollars (\$9,500), adjusted for each subsequent calendar year to take into account, if applicable, any cost-of-living increase provided for such year

under Section 402(g) of the Code. If a Participant makes elective deferrals to this Plan and to any other qualified cash or deferred plan in excess of the dollar limit specified above for the calendar year, then the Participant must notify the Plan Administrator in writing by March 1 of the following year of the amount, if any, to be refunded from this Plan. The Participant shall be deemed to have notified the Plan Administrator by March 1 of any excess elective deferrals made to this Plan and any other plan maintained by the Company or an Affiliate of the Company. The amount to be refunded shall be paid to the Participant in a single payment not later than April 15 following the close of the calendar year and shall include any income or loss allocated to the refund, as determined below, for the period (i) during the calendar year, and (ii) between the end of that year and the date of the refund payment. Although the excess elective deferral may be refunded, it shall be considered as an Employee Salary Reduction Contribution for the Plan Year in which it was originally made and shall be included in the Participant's actual deferral percentage. The foregoing notwithstanding, Employee Salary Reduction Contributions shall not include any elective deferrals properly distributed as excess annual additions in accordance with Section 4.4 of the Plan.

The income or loss allocable to excess elective deferrals for the calendar year shall be determined by multiplying the income or loss for the calendar year allocable to the Participant's elective deferrals for such year by a fraction, the numerator of which is the amount of excess elective deferrals and the denominator of which is the closing balance (as of the end of the calendar year) of the Participant's Employee Salary Reduction Contribution Account reduced by gains (or increased by losses) allocable to such Account during the calendar year. The income or loss allocable to excess elective deferrals during the period between the end of the calendar year and the date of the refund payment may be calculated by multiplying the income or loss allocable to the excess elective deferrals for the period between the end of the calendar year and the last day of the month preceding the date of distribution by a fraction determined under the method specified above. Alternatively, the allocable income or loss for the period between the end of the calendar year and the

date of the refund payment shall be deemed to be equal to 10% of the income or loss allocable to the excess elective deferrals for the calendar year multiplied by the number of calendar months that have elapsed since the end of the calendar year. For this purpose, payment occurring on or before the 15th day of the month will be treated as having been made on the last day of the preceding month. A payment occurring after the 15th day of the month will be treated as having been made on the first day of the next month.

- (f) A Company may refuse to give effect to any salary reduction agreement entered into by a Participant at any time if a Company determines that such refusal is necessary to ensure that the additions to a Participant's Account for any Plan Year shall not exceed the limitations set forth in paragraph (e) above or Section 4.4 of the Plan, or to ensure that one (1) of the following nondiscrimination tests contained in Section 401(k) of the Code is satisfied for any Plan Year:
- (1) The actual deferral percentage for the Plan Year for eligible Participants who are Highly Compensated Employees as a group is not more than one and one-quarter (1-1/4) times the actual deferral percentage for the Plan Year for all other eligible Participants as a group;

10

17

- (2) The actual deferral percentage for the Plan Year for eligible Participants who are Highly Compensated Employees as a group is not more than two (2) percentage points (or such lesser amount as the Secretary of the Treasury shall prescribe to prevent the multiple use of this alternative limitation with respect to any Highly Compensated Employee) greater than, and not more than two (2) times, the actual deferral percentage for the Plan Year for all other eligible Participants as a group; or
- (3) Such other formula as the Secretary of the Treasury shall prescribe to calculate the aggregate nondiscrimination limit.

The "actual deferral percentage" for a Plan Year for a group of eligible Participants is the average of the ratios (calculated separately for each Participant in such group) of the amount of Employee Salary Reduction Contributions credited to an eligible Participant's Employee Salary Reduction Contribution Account for such Plan Year to the eligible Participant's Compensation for such Plan Year. The actual deferral percentage of an eligible Participant who

is a Highly Compensated Employee for the Plan Year and who is eligible to make salary reduction contributions under two (2) or more plans or arrangements described in Section 401(k) of the Code that are maintained by a Company or an Affiliate shall be determined as if all such salary reduction contributions were made under a single arrangement.

An "eligible Participant" is any Employee of a Company who is authorized under the terms of the Plan to make Employee Salary Reduction Contributions for the Plan Year.

In the event that one (1) of the tests set forth above is not satisfied for any Plan Year (after taking into account any special Company contributions made pursuant to Section 3.5), the excess Employee Salary Reduction Contributions (within the meaning of Section 401(k)(8)(B) of the Code), along with the earnings of the Trust Fund allocable to such amount (as allocated pursuant to the procedure set forth in Section 3.2(e) but with respect to the Plan Year), shall be distributed to the Highly Compensated Employees who made the excess Employee Salary Reduction Contributions within two and one-half months after the Plan Year in which such excess contributions were made, provided, however, that the Company may, in its discretion, instead direct that such excess Employee Salary Reduction Contributions, along with associated earnings, be distributed to the Highly Compensated Employees who made the excess Employee Salary Reduction Contributions before the last day of the Plan Year after the Plan Year in which such excess contributions were made. The amount of the excess Employee Salary Reduction Contributions shall be determined by reducing Employee Salary Reduction Contributions made on behalf of Highly Compensated Employees so that the actual deferral percentage of the Highly Compensated Employees who elected the highest actual deferral percentage will first be lowered to the next percentage necessary to satisfy one (1) of the tests set forth above or to that of those Highly Compensated Employees who elected the next highest actual deferral percentage, whichever first occurs. If such reduction is not sufficient to satisfy one (1) of the tests set forth above, the actual deferral percentage of all Highly Compensated Employees who elected at least the next highest actual deferral percentage will be lowered by an additional percentage. If such reduction is not sufficient, similar reductions will be made until all Highly Compensated Employees have been reduced to the same actual deferral percentage. If further reductions are necessary, then adjustments shall be

made to the actual deferral percentage of all Highly Compensated Employees until one (1) of the tests set forth above is satisfied.

3.3 MATCHING CONTRIBUTIONS

- (a) For each Participant who authorizes Employee Salary Reduction Contributions during the Plan Year, a Company shall contribute each payroll period to the Plan, on behalf of each such Participant, a Matching Contribution in an amount equal to fifty percent (50%) of the Participant's Employee Salary Reduction Contributions, provided, however, that the Matching Contribution shall not be made on the portion of a Participant's Employee Salary Reduction Contributions that exceeds six percent (6%) of the Participant's Compensation in each such payroll period. In addition, for each Participant who is authorizing Employee Salary Reduction Contributions at the close of business on the last day of the Plan Year, or who is precluded from so authorizing because of the limitations set forth under Section 402(g) or 401(k) of the Code, such Participant shall receive a Matching Contribution equal to five hundred dollars (\$500), but only if such Participant is actively employed by a Company at the close of business on the last day of the Plan Year and has completed one thousand (1,000) Hours of Service during the Plan Year. A Participant also shall be entitled to such five hundred dollar (\$500) Matching Contribution if he made Employee Salary Reduction Contributions at any time during the Plan Year and (i) terminated during the Plan Year on or after attaining Normal Retirement Age, (ii) died during the Plan Year, or (iii) became Totally and Permanently Disabled during the Plan Year. Matching Contributions hereunder shall be made to the Trustee no later than the time prescribed by law for filing a Company's Federal income tax return for the Plan Year to which they relate, including any extensions thereof.
- (b) If a Participant is entitled to Matching Contributions in a Plan Year, such contributions shall be made on a Participant's behalf by his Company based upon the Participant's Employee Salary Reduction Contributions made while employed by such Company.
- (c) Each Company shall direct the Plan Administrator to establish and maintain a Matching Contribution Account in the name of each of its Participants on whose behalf Matching Contributions are made.
- (d) Notwithstanding anything in this Plan to the contrary, any Matching Contributions, whether vested or not, that are associated with an excess elective deferral under Section 3.2(e) or are associated with an excess Employee Salary Reduction Contribution under Section 3.2(f) shall be forfeited within two and one-half months after the end of the Plan Year in which such excess elective deferrals or excess contributions were made and shall be reallocated in the manner described in Section 5.3.

3.4 NONDISCRIMINATION TEST FOR MATCHING CONTRIBUTIONS

- (a) The Matching Contributions for any Plan Year shall satisfy

one (1) of the following nondiscrimination tests contained in Section 401(m) of the Code:

- (1) The contribution percentage for the Plan Year for eligible Participants who are Highly Compensated Employees as a group is not more than one and one-quarter (1-1/4) times the contribution percentage for the Plan Year for all other eligible Participants as a group;

12

19

- (2) The contribution percentage for the Plan Year for eligible Participants who are Highly Compensated Employees as a group is not more than two (2) percentage points (or such lesser amount as the Secretary of the Treasury shall prescribe to prevent the multiple use of this alternative limitation with respect to any Highly Compensated Employee) greater than, and not more than two (2) times, the contribution percentage for the Plan Year for all other eligible Participants as a group; or
- (3) Such other formula as the Secretary of the Treasury shall prescribe to calculate the aggregate nondiscrimination limit.

(b) For purposes of this Section 3.4, the following definitions shall apply:

- (1) An "eligible Participant" is any Employee of a Company who is authorized under the terms of the Plan to have Matching Contributions allocated to his Account for the Plan Year.
- (2) The "contribution percentage" for a Plan Year for a group of eligible Participants is the average of the ratios (calculated separately for each eligible Participant in such group) of the amount of Matching Contributions credited to an eligible Participant's Account for the Plan Year to the eligible Participant's Compensation for the Plan Year. The contribution percentage of an eligible Participant who is a Highly Compensated Employee for the Plan Year and who is eligible to make employee contributions or to receive matching contributions, as defined in Section 401(m)(4) of the Code, under two (2) or more plans described in Section 401(a) of the Code that are maintained by a Company or an Affiliate shall be determined as if all such contributions were made under a single plan.

- (c) In the event that one (1) of the tests set forth above is not satisfied for any Plan Year (after taking into account any special Company contributions made pursuant to Section 3.5), the excess aggregate vested Matching Contributions (within the meaning of Section 401(m)(6)(B) of the Code), along with the earnings of the Trust Fund allocable to such amount (as allocated pursuant to the procedure set forth in Section 3.2(e) but with respect to the Plan Year), shall be distributed to the Highly Compensated Employees who made the excess aggregate contributions within two and one-half months after the Plan Year in which such excess contributions were made, or instead, if the Company shall so direct, before the last day of the Plan Year after the Plan Year in which such excess contributions were made. The amount of the excess aggregate contributions shall be determined by first reducing the vested Matching Contributions so that the contribution percentage of the Highly Compensated Employees with the highest contribution percentage will first be lowered to the next percentage necessary to satisfy one (1) of the tests set forth above or to that of those Highly Compensated Employees with the next highest contribution percentage, whichever first occurs. If such reduction is not sufficient to satisfy one (1) of the tests set forth above, the contribution percentage of all Highly Compensated Employees with at least the next highest contribution percentage will be lowered by an additional percentage. If such reduction is not sufficient, similar reductions will be made until all Highly Compensated Employees have been reduced to the same contribution percentage. If further reductions are necessary, the adjustment shall be made to the contribution percentage of all Highly Compensated Employees until one (1) of the tests set forth above is satisfied. If the vested portion of the Matching Contributions of the

Participants is not sufficient to satisfy the necessary reduction, the nonvested portion of such Matching Contributions shall be forfeited to the extent necessary to satisfy such reduction and shall be reallocated in the manner described in Section 5.3.

3.5 SPECIAL COMPANY CONTRIBUTIONS

- (a) In order to meet the nondiscrimination requirements of Sections 401(k) and 401(m) of the Code (as set forth in Sections 3.2 and 3.4 of the Plan), a Company may, in its discretion and by action of its Board of Directors, establish a special rate of Company contributions applicable only to those Participants who are not Highly Compensated Employees or, to the extent permitted by Treasury regulations, recharacterize Company Contributions made under Section 3.1 as Employee Salary Reduction Contributions or Matching

Contributions, whichever is applicable.

- (b) If contributions under this Section 3.5 are made, or Company Contributions are recharacterized, to meet the nondiscrimination requirements of Code Section 401(k) (as set forth in Section 3.2 of the Plan), then such contributions shall be deemed, for all Plan purposes, to be Employee Salary Reduction Contributions, and shall be allocated to the Employee Salary Reduction Contribution Accounts of such Participants; provided, however, that Matching Contributions shall not be based upon such contributions. If contributions under this Section 3.5 are made, or Company Contributions are recharacterized, to meet the nondiscrimination requirements of Code Section 401(m) (as set forth in Section 3.4 of the Plan), then such contributions shall be deemed, for all Plan purposes, to be Matching Contributions, and shall be allocated to the Matching Contribution Accounts of such Participants who made Employee Salary Reduction Contributions; provided, however, that such contributions shall be fully vested upon deposit.

3.6 ROLLOVERS

- (a) Any Employee, regardless of whether or not he has become a Participant in the Plan pursuant to Article II, may, subject to obtaining the prior approval of the Plan Administrator, at any time transfer (or cause to be transferred) to the Trust Fund:
- (1) Up to the entire amount of money received from another qualified trust under Section 401(a) of the Code which constitutes an eligible rollover distribution within the meaning of Section 402 of the Code, provided that, in the event of a rollover of amounts received by, and made payable to, the Employee and not of amounts transferred in a trust-to-trust transfer, such amount or amounts attributable to such distribution must be received by the Trustee within sixty (60) days after the Employee's receipt of such payment; and
 - (2) Up to the entire amount of money received by the Employee that was in an "individual retirement account" or an "individual retirement annuity" (as defined in Section 408 of the Code) which contains only those amounts described above in paragraph (1) plus any earnings thereon, provided that, in the event of a rollover of amounts received by, and made payable to, the Employee and not of amounts transferred in a trust-to-trust transfer, such amount must be received by the Trustee within sixty (60) days after the Employee's receipt of such payment.

The Employee shall furnish the Plan Administrator with a written statement that the contribution to the Trust Fund is a rollover contribution, together with such other statements and information as may be required by the Plan Administrator in order to establish that such contribution does not contain amounts from sources other than provided above and that such Rollover Contribution otherwise meets the requirements of law. Acceptance by the Trustee of any amount under these provisions shall not be construed as a determination of the Employee's tax consequences by the Plan Administrator.

- (b) A Company shall direct the Plan Administrator to establish and maintain a Rollover Account in the name of each of its Employees who elects to roll over or transfer amounts into the Trust Fund pursuant to the provisions of this Section 3.6. An Employee shall always be one hundred percent (100%) vested in his Rollover Account.

3.7 TRANSFERS OF ASSETS TO THE PLAN

If another plan that is qualified under Section 401(a) of the Code is merged into this Plan, or assets from the plan of an Affiliate are transferred to this Plan, then, for purposes of this Plan and absent direction by the Plan Administrator to the contrary, any amounts attributable to elective salary reduction contributions (not considered as taxable income) thereunder shall be combined with amounts attributable to Employee Salary Reduction Contributions; any amounts attributable to employer matching contributions (or contributions made by an employer in relation to the employee's elective salary reduction contributions) thereunder shall be combined with amounts attributable to Matching Contributions; any amounts attributable to employer profit sharing or non-elective contributions thereunder shall be combined with amounts attributable to Company Contributions; and any amounts attributable to employee contributions (or contributions considered as taxable income) thereunder shall be accounted for separately under this Plan. All such transferred amounts shall be vested hereunder to at least the extent provided in such other qualified plan. Notwithstanding anything herein to the contrary, absent the consent of the Plan Administrator, assets from a plan subject to the joint and survivor annuity requirements of Section 401(a)(11) of the Code shall not be entitled to be transferred to this Plan.

ARTICLE

4.

ALLOCATIONS, ACCOUNTING, AND ADJUSTMENTS

4.1 COMPOSITION OF TRUST FUND

All amounts contributed to the Plan, as increased or decreased by income, expenditure, appreciation, and depreciation, shall constitute a single fund known as the Trust Fund. A separate Company Contribution Account shall be maintained for each Participant. Additional Accounts shall be maintained for each Participant as required by Article III.

4.2 ALLOCATION OF EARNINGS TO ACCOUNTS

Earnings shall be allocated to the Accounts of all Participants as of the Valuation Date by credit or deduction therefrom, as the case may be, of a portion of the increase or decrease in the value of the respective investment funds of the Trust Fund since the preceding Valuation Date attributable to interest, dividends, changes in market value, expenses, and gains and losses realized from the sale of assets, provided, however, that a Participant's Accounts shall not

15

22

share in the allocations hereunder to the extent that the Participant has directed the investment of his Accounts pursuant to Section 8.4. Allocations hereunder shall be made in the proportion that the opening balance of each Account (the balance as of the previous Valuation Date adjusted by subtracting withdrawals, Forfeitures and distributions, and by adding one-half (1/2) of all periodic current contributions and Rollover Contributions deposited in the Trust Fund since the last Valuation Date) invested in such investment fund bears to the total of the opening balances of all such Accounts, as adjusted, invested in the investment fund. Unless otherwise specified above, as of each Valuation Date, after the allocation of earnings but prior to the allocation of Company Contributions and Matching Contributions, the Rollover Contributions and Employee Salary Reduction Contributions, if any, shall be allocated to the Accounts of the Participants on whose behalf such contributions are made.

16

23

4.3 ELIGIBILITY FOR ALLOCATION OF COMPANY CONTRIBUTIONS AND MATCHING CONTRIBUTIONS

As of the last day of each Plan Year, after the allocation of earnings, Rollover Contributions, and Employee Salary Reduction Contributions, Company Contributions made by a Company for such Plan Year shall be allocated to the Company Contribution Accounts of all Participants who are actively employed by such Company at the close of business on the last day of the Plan Year and who have completed one

thousand (1,000) Hours of Service during the Plan Year; provided, however, if the Plan would fail to meet the coverage requirements of Section 410(b)(1) of the Code for the Plan Year due solely to the ineligibility of one or more Participants who were credited with less than one thousand (1,000) Hours of Service, but more than five hundred (500) Hours of Service in the Plan Year, then the Plan Administrator shall determine the minimum number of members of such group of Participants to share in Company Contributions for the Plan Year under the following procedure:

- (a) the minimum number of Participants required to meet the coverage tests under Section 410(b)(1) based on their number of Hours of Service earned during the Plan Year, ranked in descending order; and
- (b) if more than one Participant receives credit for the lowest number of Hours of Service earned for which any Participant must be covered in order to meet the coverage tests (pursuant to paragraph (a) above), then all individuals receiving credit for exactly that number of Hours of Service shall share in the allocation of the Company Contribution.

Furthermore, if after the application of the procedure in the foregoing paragraph, the Plan would still fail to meet the coverage requirements of Section 410(b)(1) of the Code for the Plan Year due to the ineligibility of one or more Participants whose employment with a Company has terminated before the end of the Plan Year, then the Plan Administrator shall determine the minimum number of members of such group of terminated Participants to share in Company Contributions for the Plan Year under a procedure comparable to that set forth in paragraphs (a) and (b) above.

Notwithstanding the above, Participants of a Company who, during the Plan Year, have (i) terminated on or after attaining Normal Retirement Age, (ii) died, or (iii) become Totally and Permanently Disabled shall also be eligible to share in such Company's Company Contributions for the Plan Year.

An eligible Participant shall share in Company Contributions according to the allocation procedures in Section 4.6.

Following the allocation of Company Contributions, Matching Contributions, if any, and if not previously allocated, then shall be allocated. An eligible Participant shall share in Matching Contributions as provided in Section 3.3.

4.4 MAXIMUM ANNUAL ADDITIONS

- (a) The sum of the following additions to a Participant's Accounts in any Limitation Year:

- (1) The Company Contributions allocated to such Participant's Account, and
- (2) The Employee Salary Reduction Contributions and Matching Contributions allocated to such Participant's Accounts, and

17

24

- (3) The Forfeitures, if any, allocated to such Participant's Company Contribution Account,

shall not exceed the lesser of: (1) the greater of thirty thousand dollars (\$30,000) or one-fourth (1/4) of the dollar limitation in effect under Section 415(b)(1)(A) of the Code, or (2) twenty-five percent (25%) of the Participant's Compensation for such Plan Year.

- (b) In the event that the additions to a Participant's Accounts under this Section 4.4 in any Limitation Year would be in excess of the maximum annual limits as a result of a reasonable error in estimating a Participant's Compensation or as a result of a reasonable error in determining the amount of elective deferrals (within the meaning of Section 402(g)(3) of the Code), or under other facts and circumstances to which Tax Regulation Section 1.415-6 shall be applicable, the Employee Salary Reduction Contributions made by or with respect to such Participant shall be distributed to him to the extent that any such distribution would reduce the amount in excess of the limits of this Section 4.4, and amounts otherwise in excess of this Section 4.4 remaining after such distribution shall be allocated to a suspense account in an amount necessary to bring the additions within the maximum annual limits, and shall be allocated pursuant to Tax Regulation Section 1.415-6(b)(6)(iii) in future Limitation Years. The foregoing notwithstanding, the Plan Administrator may comply with either Tax Regulation Section 1.415-6(b)(6)(i) or Section 1.415-6(b)(6)(ii), in lieu of the Tax Regulation Section 1.415-6(b)(6)(iii).
- (c) For purposes of this Section 4.4, this Plan and any other qualified defined contribution plan maintained by a Company or an Affiliate shall be considered as a single defined contribution plan if a Participant is a participant in both plans. Amounts allocated in Limitation Years beginning after March 31, 1984 to a Participant's individual medical benefit account, as defined in Section 415(l)(1) of the Code, which is part of a defined benefit plan maintained by a Company or an Affiliate shall be treated as annual additions to a defined contribution plan. Amounts derived from contributions paid or accrued after December 31, 1985, in taxable years ending after such date, which are attributable to

post-retirement medical benefits allocated to the separate account of a Participant who is a key employee, as defined in Section 419A(d) of the Code, under a welfare benefit fund, as defined in Section 419(e) of the Code, maintained by a Company or an Affiliate, shall be treated as annual additions to a defined contribution plan. Notwithstanding the foregoing, the compensation limit described above shall not apply to any contribution for medical benefits (within the meaning of Section 419A(f)(2) of the Code) after separation from service which otherwise is treated as an annual addition under Section 415(l)(1) of the Code. If a reduction is necessary under paragraph (b), then the reduction shall first be made to the annual additions under this Plan.

4.5 PARTICIPATION IN DEFINED BENEFIT PLAN

- (a) If any Participant also has participated in any qualified defined benefit plan maintained by a Company or an Affiliate, the annual additions under this Plan shall be reduced to the extent necessary so that the sum of the defined benefit plan fraction and the defined contribution plan fraction for any Limitation Year does not exceed 1.0.

18

25

- (b) The defined contribution plan fraction for any Limitation Year is a fraction, the numerator of which is the sum of all of the annual additions to the Participant's Accounts as of the close of the Limitation Year under each defined contribution plan and the denominator of which is the sum of the lesser of the following amounts determined for the Limitation Year and each prior year of service with a Company or Affiliate:

- (1) The product of 1.25 multiplied by the dollar limitation in effect under Section 415(c)(1)(A) of the Code for such Limitation Year; or
- (2) The product of 1.4 multiplied by the amount which may be taken into account under Section 415(c)(1)(B) of the Code for such Limitation Year.

The annual additions for any Limitation Year beginning before January 1, 1987 shall not be recomputed to treat all Employee contributions as annual additions.

- (c) The defined benefit plan fraction for any Limitation Year is a fraction, the numerator of which is the projected annual benefit

of the Participant under each defined benefit plan (determined as of the close of its limitation year) and the denominator of which is the lesser of:

- (1) The product of 1.25 multiplied by the maximum dollar limitation in effect under Section 415(b)(1)(A) of the Code for such Limitation Year; or
- (2) The product of 1.4 multiplied by the amount which may be taken into account under Section 415(b)(1)(B) of the Code for such Limitation Year.

For purposes of this Section 4.5, all defined benefit or defined contribution plans shall be treated as one (1) plan by class.

4.6 ALLOCATION OF COMPANY CONTRIBUTIONS

A Participant eligible to share in Company Contributions for the Plan Year in accordance with Section 4.3 shall share in such Company Contributions in the proportion that his Compensation bears to the Compensation of all eligible Participants for the Plan Year.

ARTICLE 5.

VESTING

5.1 PARTICIPANT CONTRIBUTIONS

A Participant shall at all times be one hundred percent (100%) vested in his Employee Salary Reduction Contribution Account and his Rollover Account.

5.2 COMPANY AND MATCHING CONTRIBUTION ACCOUNTS

A Participant shall have a fully vested, nonforfeitable interest in his Company Contribution Account and Matching Contribution Account on the first to occur of the following events:

19

26

- (a) His attainment of Normal Retirement Age;
- (b) The date on which he shall be determined to have a Total and Permanent Disability;
- (c) The date of his death; or

(d) The completion of three (3) Years of Vesting Service.

5.3 TERMINATION OF EMPLOYMENT

(a) A Participant who terminates employment with a Company and all Affiliates for any reason other than (i) Total and Permanent Disability, (ii) death, (iii) the completion of three (3) Years of Vesting Service, and (iv) before his Normal Retirement Age shall be vested in the percentage of his Company Contribution Account and Matching Contribution Account set forth in the following tables:

<TABLE>

<CAPTION>

Completed Years of Vesting Service -----	Vested Percentage -----
<S>	<C>
Less than 1	0%
1	33%
2	66%
3 or more	100%

</TABLE>

All of a Participant's Years of Vesting Service shall be taken into consideration in determining the vested percentage of his Company Contribution Account and Matching Contribution Account.

- (b) The portion of the Participant's Company Contribution Account and Matching Contribution Account in which he is not vested at his termination of employment shall be declared a Forfeiture at the earlier of (i) the date the Participant receives or is deemed to have received pursuant to Section 6.2 a distribution of his Vested Interest under the Plan, or (ii) the last day of the Plan Year in which the Participant incurs a one (1) year Break in Service. Such Forfeiture shall, in the Company's discretion, and subject to Section 5.3(c) below, (i) be used to reduce a Company's Matching Contribution or Company Contribution (or special Company contribution under Section 3.5) for the Plan Year in which the Forfeiture occurs or, if no Matching Contributions or Company Contributions (or special Company contributions under Section 3.5) are made in such Plan Year (or if Forfeitures still remain after reducing such contributions), in the next Plan Year or Plan Years in which such contributions are made, or (ii) be applied to offset administrative expenses incurred in the operation of the Plan.
- (c) If the Participant returns to the employ of a Company or an Affiliate before he incurs five (5) consecutive one (1) year Breaks in Service, the portion of his Company Contribution Account and

Matching Contribution Account that had been forfeited shall be reinstated to his Company Contribution Account and Matching Contribution Account in full, unadjusted by any gains or losses occurring subsequent to the Valuation Date coincident with or immediately following his termination of employment, only if he repays the full amount of any distribution, other than Rollover Contributions, before the end of five (5) years from the Date of Reemployment. The amount so reinstated shall be made from any Forfeitures of his Company made during the Plan Year in which his repayment occurred.

20

27

If the Forfeitures in the year of repayment are insufficient to restore the forfeited amount, the remainder shall be restored by a Company contribution. Such a Participant shall continue vesting in such Account. If the Participant incurs five (5) consecutive one (1) year Breaks in Service, and thereafter is reemployed by a Company or an Affiliate, he shall not regain any interest in any Forfeiture.

- (d) If a Participant who is reemployed before he incurs five (5) consecutive one (1) year Breaks in Service shall again terminate his employment under circumstances in which he is not fully vested in his Company Contribution Account or Matching Contribution Account, such Participant's Vested Interest in such Accounts shall be determined by adding to the amount actually held by the Trust any amount previously distributed to him. The vested percentage shall be applied to this total, the amount of any previous distributions shall be subtracted, and the remaining amount shall be his vested balance.
- (e) No amendment to the vesting schedule shall deprive a Participant of his Vested Interest in his Account Balance to the date of amendment. Further, if the vesting schedule of the Plan is amended, or if the Plan is amended in any way that directly or indirectly affects the computation of a Participant's Vested Interest in his Company Contribution Account or Matching Contribution Account, or if the Plan is deemed amended by an automatic change to or from the top-heavy vesting schedule, each Participant with at least three (3) Years of Vesting Service may elect, within a reasonable period after the adoption of the amendment or change, to have his Vested Interest in his Company Contribution Account or Matching Contribution Account computed under the Plan without regard to such amendment or change. The period during which the election may be made shall commence with the date the amendment is adopted and shall end on the latest of:
- (1) Sixty (60) days after the amendment is adopted;

- (2) Sixty (60) days after the amendment becomes effective; or
- (3) Sixty (60) days after the Participant is issued written notice of the amendment by the Company.

ARTICLE

6.

TIME AND METHOD OF PAYMENT

6.1 MANNER OF PAYMENT - EMPLOYEES OF CERTAIN PARTICIPATING EMPLOYERS

- (a) Unless Employees of other Participating Employers are from time to time so designated by the Company, Section 6.1 shall apply only to those Employees of (i) U.S. Robotics Access Corp. who formerly were employed by ISDN Systems Corporation and (ii) Palm Computing, Inc., who were participants with account balances in the retirement plans sponsored by ISDN Systems Corporation and Palm Computing, Inc., respectively, on April 1, 1996, when those retirement plans were merged into the Plan.
- (b) If a Participant is unmarried as of his Annuity Starting Date, the Vested Interest in his Account Balance shall be distributed to him in the form of an immediate life annuity contract, unless the Participant elects an

21

28

optional form of payment provided in the Plan in accordance with the procedures of paragraph (d).

- (c) If a Participant is married as of his Annuity Starting Date, the Vested Interest in his Account Balance shall be distributed to him in the form of a joint and survivor annuity, unless the Participant elects an optional form of payment provided in the Plan in accordance with the procedures of paragraph (e). The joint and survivor annuity shall be equal in value to a single life annuity, and shall consist of an immediate annuity for the life of the Participant with a survivor annuity for the life of his spouse equal to fifty percent (50%) of the amount of the payments made to the Participant.
- (d) An unmarried Participant may elect in writing, during the ninety (90) day period ending on his Annuity Starting Date, to waive the life annuity form of benefit described in paragraph (b) and to make a qualified election of an optional form of payment permitted under the Plan. No less than thirty (30) days and no more than ninety (90) days prior to the Participant's Annuity Starting Date

and consistent with such regulations as the Secretary of the Treasury may prescribe, the Plan Administrator shall provide the Participant with a written explanation of:

- (1) The terms and conditions of the life annuity;
- (2) The Participant's right to make and the effect of an election to waive the life annuity; and
- (3) The right of the Participant to revoke each such election and the effect of such revocation.

The written notice shall contain a general explanation of the optional forms of payment permitted under the Plan and shall explain the difference between the life annuity and such optional forms of payment in a manner calculated to be understood by the Participant.

- (e) A married Participant may elect in writing, during the ninety (90) day period ending on his Annuity Starting Date, to waive the joint and survivor annuity form described in paragraph (c) and to make a qualified election of either the life annuity or an optional form of payment permitted under the Plan. A married Participant may make a qualified election of a life annuity or a joint and contingent Beneficiary option, as described in Section 6.2, only with his spouse's written consent. The spouse's consent must acknowledge the effect of such election and be witnessed by a Plan representative or notary public. The spouse also must consent both to the specific optional form of benefit chosen and to the specific Beneficiary designated, if applicable, or to a general Beneficiary designation, provided such consent acknowledges that the spouse has the right to limit consent to a specific Beneficiary and elects to relinquish such right. Notwithstanding the foregoing, the requirement for a spouse's written consent shall not apply if a Participant elects a joint and contingent Beneficiary option under Section 6.2 with his spouse as Beneficiary, or if it is established to the Plan Administrator's satisfaction that the spouse cannot be located or that other circumstances set forth in regulations promulgated under Section 417 of the Code which preclude the necessity of the spouse's consent are present with respect to the Participant. No less than thirty (30) days and no more than ninety (90) days prior to the Participant's Annuity Starting Date and consistent with such regulations as

the Secretary may prescribe, the Plan Administrator shall provide the Participant with a written explanation of:

- (1) The terms and conditions of the joint and survivor annuity;
- (2) The Participant's right to make and the effect of an election to waive the joint and survivor annuity;
- (3) The right of the Participant's spouse, if applicable, to consent to an election to waive the joint and survivor annuity; and
- (4) The right of the Participant to revoke such election and the effect of such revocation.

The written notice shall contain a general explanation of the life annuity and the optional forms of payment permitted under the Plan and shall explain the differences between the joint and survivor annuity, the life annuity, and the optional forms of payment in a manner calculated to be understood by the Participant.

6.2 OPTIONAL FORMS OF PAYMENT FOR SECTION 6.1(A) DESIGNATED EMPLOYEES

Unless otherwise set forth herein, the following optional forms of payment shall be available only for those Employees to whom Section 6.1 of the Plan applies:

- (a) Joint and Contingent Beneficiary. Payments to the Participant during his lifetime in monthly, quarterly, semiannual, or annual cash installments, with payments of either one hundred percent (100%), seventy-five percent (75%), or fifty percent (50%) of such amount to continue after his death to a Beneficiary designated by the Participant for the lifetime of the Beneficiary. This option shall be paid for through the purchase of a nontransferable annuity contract providing for such payments.
- (b) Lump Sum. Payment to the Participant of his entire Account Balance in cash in one (1) single sum.
- (c) Installments. Periodic annual payments to the Participant for a specified number of years, not to exceed ten (10) years.

Distributions may be made over only one (1) of the following periods (or a combination thereof):

- (a) The life of the Participant;
- (b) The life of the Participant and a designated Beneficiary;
- (c) A period certain not extending beyond the life expectancy of the Participant; or
- (d) A period certain not extending beyond the joint and last survivor expectancy of the Participant and a designated Beneficiary.

If a Participant's spouse is not the designated Beneficiary, the method of distribution selected must assure that at least fifty percent (50%) of the present value of the amount available for distribution is paid within the life expectancy of the Participant.

For purposes of this Plan, life expectancy of a Participant and/or a surviving spouse may be recalculated annually if the Participant so elects, provided, however, that, absent such election, life expectancy shall not be recalculated.

6.3 DEATH BENEFITS

- (a) Except as otherwise set forth in this Article VI, Section 6.3 shall apply only to those Employees to whom Section 6.1 of the Plan applies. Section 6.4 shall apply to death benefits for all other Employees.
- (b) If a married Participant dies prior to his Annuity Starting Date, payment of the Vested Interest in his Account Balance shall be made to the surviving spouse of the Participant in the form of a qualified pre-retirement survivor annuity contract providing monthly payments to the spouse, unless the Participant has designated another Beneficiary in the manner described in Section 6.8, or the spouse elects to receive payment in a form set out in Section 6.2. The surviving spouse may elect to commence or receive payment as soon as administratively feasible after the Participant's death. In order for the designation of a Beneficiary other than the spouse to be valid, the designation must have been made after the first day of the Plan Year in which the Participant attains age thirty-five (35), the designation must contain a waiver of the qualified pre-retirement survivor annuity, and the Participant's spouse must consent in writing to the waiver of the qualified pre-retirement survivor annuity and either to the specific non-spouse Beneficiary designation or to a general Beneficiary designation, provided such consent acknowledges that the spouse has the right to limit consent to a specific Beneficiary and elects to relinquish such right. A valid spousal consent shall be witnessed by either a representative of the Plan or a notary public and shall be revocable by the spouse at any time prior to the Annuity Starting Date.

The Plan Administrator shall provide to each Participant a written explanation of the qualified pre-retirement survivor annuity within the applicable period. With respect to any Participant, the applicable period means whichever of the following periods ends last:

- (1) The period beginning with the first day of the Plan Year in which the Participant attains age thirty-two (32) and ending with the close of the Plan Year preceding the Plan Year in which the Participant attains age thirty-five (35);
- (2) A reasonable period ending after the individual becomes a Participant; or
- (3) A reasonable period ending after Section 401(a)(11) of the Code first applies to the Participant.

Notwithstanding the foregoing, in the case of a Participant who separates from service before attaining age thirty-five (35), the applicable period means the period beginning one (1) year before the separation from service and ending one (1) year after such separation. The written explanation of the qualified pre-retirement survivor annuity shall provide comparable notice and information to that described in Section 6.1(e) with respect to the joint and survivor annuity.

A married Participant may designate a non-spouse Beneficiary prior to the first day of the Plan Year in which the Participant attains age thirty-five (35) if a written explanation of the pre-retirement survivor annuity is

given to the Participant by the Plan Administrator prior to the time of designation. Such early nonspouse Beneficiary designation shall become invalid as of the first day of the Plan Year in which the Participant attains age thirty-five (35). The designation of a nonspouse Beneficiary shall be revoked automatically upon the marriage or remarriage of the Participant. Notwithstanding the foregoing, the spousal consent requirement shall not apply if it is established to the satisfaction of the Plan Administrator either that the spouse cannot be located or that other circumstances set forth in regulations promulgated under Section 417 of the Code which preclude the necessity of the spouse's consent are present with respect to the Participant.

If an unmarried Participant dies prior to his Annuity Starting Date, or if a married Participant has designated a Beneficiary other than his spouse, the Vested Interest in his Account Balance shall be paid to his designated Beneficiary in a life annuity or in any of the forms permitted under Section 6.2, at the election of the Beneficiary.

If the Participant's surviving spouse is his Beneficiary, his surviving spouse may elect to receive payments in any of the forms permitted under Sections 6.1 or 6.2.

- (c) In the event of the Participant's death prior to the commencement of payments, the period over which payments shall be made shall not exceed five (5) years, unless one (1) of the following exceptions is met:

(1) (A) Any portion of the Participant's Account is payable to (or for the benefit of) a designated Beneficiary; and

(B) Such portion of the Participant's Account shall be distributed over a period not extending beyond the life or life expectancy of the designated Beneficiary; and

(C) Such distribution commences no later than one (1) year after the date of the Participant's death.

(2) (A) The portion of the Participant's Account to which his surviving spouse is entitled shall be distributed over a period not extending beyond the life or life expectancy of the surviving spouse; and

(B) Such distribution commences no later than the date on which the Participant would have attained age seventy and one-half (70-1/2).

- (d) If the Participant dies after the commencement of payments, the remaining portion of such interest will continue to be distributed at least as rapidly as under the method of distribution being used prior to the Participant's death.

6.4 NORMAL FORM OF PAYMENT FOR EMPLOYEES

- (a) For Employees other than those to whom Section 6.1 of the Plan applies, the Vested Interest of the Participant's Account Balance shall be paid to the Participant or, in the event of his death, to his Beneficiary in cash in one (1) single sum; provided, however, that those Participants who were participants in the retirement plan sponsored by U.S. Robotics Mobile Communications Corp. on April 1, 1996, when that retirement plan was merged into the Plan, also shall be entitled to the installment form of distribution described in Section 6.2. A Participant or his Beneficiary

shall be entitled to receive his distribution at the time specified in Section 6.5.

- (b) If the Participant's Account Balance at any time prior to distribution exceeds three thousand five hundred dollars (\$3,500) and payment is to be made prior to the Participant attaining age sixty-five (65), the Participant must consent in writing to the distribution before payment of any portion of the distribution commences. For Employees to whom Section 6.1 of the Plan applies, the Participant's spouse also must consent to the early commencement of benefits, if such benefits are distributed in any annuity form other than a joint and survivor annuity or joint and contingent Beneficiary option with the spouse as Beneficiary.
- (c) If the Vested Interest of the Participant's Account Balance (determined as of the Valuation Date coincident with or next following his termination of employment) is three thousand five hundred dollars (\$3,500) or less, payment shall be made as soon as practicable after the Participant's termination of employment in one (1) single sum cash payment. For purposes of this paragraph, if the Vested Interest of the Participant's Account Balance (determined as of the Valuation Date coincident with or next following his termination of employment) is zero (0), the Participant shall be deemed to have received a distribution of such Vested Interest under this paragraph (c). This paragraph (c) shall apply to all Employees, including those to whom Section 6.1 of the Plan applies.
- (d) If a distribution is one to which Sections 401(a)(11) and 417 of the Code do not apply, such distribution may be made or commence less than thirty (30) days after the notice required under Section 1.411(a)-11(c) of the Tax Regulations is given provided that:
 - (1) The Plan Administrator clearly informs the Participant that the Participant has a right to a period of at least thirty (30) days after receiving the notice to consider the decision of whether or not to elect a distribution (and, if applicable, a particular distribution option), and
 - (2) The Participant, after receiving the notice, affirmatively elects a distribution.
- (e) If a distribution is one to which Sections 401(a)(11) and 417 of the Code do apply, such distribution may be made or commence less than thirty (30) days after written explanation of the forms of distribution is given (but not sooner than seven (7) days after such explanation is given), provided the requirements set forth in Section 1.417(e)-1T of the Tax Regulations are met.
- (f) Notwithstanding any provision of the Plan to the contrary, a Distributee may elect, at the time and in the manner prescribed by the Plan Administrator, to have any portion of an Eligible Rollover

Distribution paid directly to an Eligible Retirement Plan specified by the Distributee in a Direct Rollover.

For purposes of this paragraph (f):

- (1) Eligible Rollover Distribution means any distribution of all or any portion of the balance to the credit of the Distributee, except that an Eligible Rollover Distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life

26

33

expectancy) of the Distributee or the joint lives (or joint life expectancies) of the Distributee and the Distributee's designated beneficiary, or for a specified period of ten years or more; any distribution to the extent such distribution is required under Section 401(a)(9) of the Code; and the portion of any distribution that is not includible in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities).

- (2) Eligible Retirement Plan means an individual retirement account described in Section 408(a) of the Code, an individual retirement annuity described in Section 408(b) of the Code, an annuity plan described in Section 403(a) of the Code, or a qualified trust described in Section 401(a) of the Code, that accepts the Distributee's Eligible Rollover Distribution. However, in the case of an Eligible Rollover Distribution to a surviving spouse, an Eligible Retirement Plan is an individual retirement account or individual retirement annuity.
- (3) Distributee means an Employee or former Employee. In addition, the Employee's or former Employee's surviving spouse and the Employee's or former Employee's spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in Section 414(p) of the Code, are Distributees with regard to the interest of the spouse or former spouse.
- (4) Direct Rollover means a payment by the Plan to the Eligible Retirement Plan specified by the Distributee.

6.5 TIME OF PAYMENT

Subject to the provisions of Sections 6.3(c) and (d), 6.4 and 6.7, payment shall be made or shall commence at the later of:

- (a) Sixty (60) days after the close of the Plan Year in which the Participant attains (or would have attained) Normal Retirement Age, or
- (b) Sixty (60) days after the close of the Plan Year in which the employment of the Participant terminates,

unless the Participant or, in the event of his death, his Beneficiary, requests payment at an earlier date, but subsequent to his termination of employment. In such event, payment shall be made or shall commence as soon as practicable after the date payment is requested, and based upon the Participant's Account Balance as of the Valuation Date coincident with the date the payment is processed. Notwithstanding the foregoing, in all cases payment shall be made or shall commence by the April 1 immediately following the year in which the Participant attains the age of seventy and one-half (70-1/2), even if he has not retired. The preceding sentence shall not apply to a Participant who (1) has made a written election to receive his benefits under the Plan at a later date in accordance with Section 242(b) of the Tax Equity and Fiscal Responsibility Act of 1982, or (2) has attained age seventy and one-half (70-1/2) before January 1, 1988 and who was not a five percent (5%) owner of a Company at any time during the Plan Year ending with or within the calendar year in which such individual attained age sixty-six and one-half (66-1/2) or any subsequent Plan Year.

6.6 DISTRIBUTION OF UNALLOCATED CONTRIBUTIONS

27

34

If on the date of termination of a Participant's employment the Company shall be holding contributions made on behalf of the Participant but not yet allocated to his Accounts, the Company shall pay such amounts either directly to the Participant (or his Beneficiary, as the case may be) or to the Trustee, to be distributed by the Trustee in accordance with the method of distribution determined under this Article VI.

6.7 CERTAIN RETROACTIVE PAYMENTS

If the amount of the payment required to be made or commence on the date determined under Sections 6.1, 6.2, or 6.4 cannot be ascertained by such date, a payment retroactive to such date may be made no later than sixty (60) days after the earliest date on which the amount of such payment can be ascertained under the Plan.

6.8 BENEFICIARY

- (a) If a Participant is married on the date of his death, the Beneficiary of such Participant shall be his spouse unless the Participant's spouse consents in writing not, wholly or in part, to be said Beneficiary. The spouse's consent must acknowledge the effect of such consent not to be the Participant's Beneficiary and such written consent must be witnessed either by the Plan Administrator or by a notary public. The consent must either be limited to a benefit for a specific alternate Beneficiary or may, in the alternative, provide for a general Beneficiary designation, provided such general consent acknowledges that the spouse has the right to limit consent to a specific Beneficiary and elects to relinquish such right. The designation of a non-spouse Beneficiary shall be automatically revoked upon the marriage or remarriage of a Participant. Notwithstanding the foregoing, this paragraph (a) shall not apply if it is established to the Plan Administrator's satisfaction either that the spouse cannot be located or that other circumstances set forth in regulations promulgated under Section 417 of the Code which preclude the necessity of the spouse's consent are present with respect to the Participant.
- (b) Except as otherwise provided in paragraph (a), each Participant shall have the right to designate, by giving a written designation to the Plan Administrator, a Beneficiary to receive any death benefit which may become payable upon the death of such Participant. Successive designations may be made, and the last designation received by the Plan Administrator prior to the death of the Participant shall be effective and shall revoke all prior designations. If a designated Beneficiary shall die before the Participant, his interest shall terminate, and, unless otherwise provided in the Participant's designation, such interest shall be paid in equal shares to those Beneficiaries, if any, who survive the Participant. Except as otherwise provided in paragraph (a), the Participant shall have the right to revoke the designation of any Beneficiary without the consent of the Beneficiary.
- (c) If a Participant shall fail to designate a Beneficiary, if such designation shall for any reason be illegal or ineffective, or if no Beneficiary shall survive the Participant (or survive until the date all payments are made hereunder), his death benefits shall be paid:
- (1) To his surviving spouse;
 - (2) If there is no surviving spouse, to his descendants (including legally adopted children and their descendants) per stirpes; or

(3) If there is neither a surviving spouse nor surviving descendants, to the estate of the Participant.

(d) The Plan Administrator may determine the identity of the distributees and in so doing may act and rely upon any information it may deem reliable upon reasonable inquiry, and upon any affidavit, certificate, or other paper believed to be genuine, and upon any evidence believed by it to be sufficient.

6.9 ADMINISTRATIVE POWERS RELATING TO PAYMENTS

If a Participant or Beneficiary is under a legal disability or, by reason of illness or mental or physical disability, is unable, in the opinion of the Plan Administrator, to attend properly to his personal financial matters, the Trustee may make such payments in such of the following ways as the Plan Administrator shall direct:

- (a) Directly to such Participant or Beneficiary;
- (b) To the legal representative of such Participant or Beneficiary; or
- (c) To some relative by blood or marriage, or friend, for the benefit of such Participant or Beneficiary.

Any payment made pursuant to this Section 6.9 shall be in complete discharge of the obligation for such payment under the Plan.

6.10 LOCATION OF PARTICIPANT OR BENEFICIARY UNKNOWN

In the event that all, or any portion, of the distribution payable to a Participant or his Beneficiary hereunder shall, at the expiration of five (5) years after it shall become payable, remain unpaid solely by reason of the Plan Administrator being unable, after sending a certified or registered letter, return receipt requested, to the last known address, and after further diligent effort, to ascertain the whereabouts of such Participant or his Beneficiary, the amount so distributable shall be treated in the same manner as a Forfeiture under this Plan. If a Participant or Beneficiary is subsequently located, such benefit shall be restored from any Forfeitures made during the Plan Year in which the Participant or Beneficiary is located. If the Forfeitures in the year of location are insufficient to restore the forfeited amount, the remainder shall be restored by a Company contribution.

ARTICLE

7.

WITHDRAWALS

Upon application by an Employee who is a Participant or any other party-in-interest, as defined in Section 3(14) of ERISA, the Trustee may lend such Employee or other party-in-interest an amount such that the aggregate of all of his outstanding loans under this Plan and all other plans maintained by his Company or an Affiliate does not exceed the lesser of: (1) fifty thousand dollars (\$50,000) (reduced by the excess, if any, of (A) the highest outstanding balance of loans from the Plan and all other plans maintained by his Company or an Affiliate during the one (1) year period ending on the day before the date on

29

36

which such loan is made over (B) the outstanding balance of loans from the Plan and all other plans maintained by his Company or an Affiliate on the date on which such loan is made); or (2) an amount which does not exceed one-half (1/2) of the Vested Interest of his Account Balances, if any, under the Plan as of the date on which the loan is approved. All loans shall follow a uniform, nondiscriminatory policy. Loans shall not be made available to Highly Compensated Employees in an amount greater than the amount made available to other Employees.

In addition to such rules and regulations as the Plan Administrator may adopt, all loans shall comply with the following terms and conditions:

- (a) An application for a loan by an Employee or other party-in-interest shall be made in writing to the Plan Administrator, whose action thereon shall be final. The Plan Administrator shall specify the form of the application and any supporting data required.
- (b) The period of repayment for any loan shall be five (5) years, unless the loan is used to acquire a dwelling unit which within a reasonable time shall be used as the principal residence of the Employee or other party-in-interest, in which case the period of repayment shall be determined by the Plan Administrator but shall not be greater than thirty (30) years or the number of years until the Employee attains his Normal Retirement Age, whichever is less. Loans shall be repayable in substantially equal amortized installments of both principal and interest payable not less frequently than quarterly. Loans to Employees shall be repaid through automatic payroll deduction, and for parties-in-interest who are not Employees, on such other terms and conditions as the Plan Administrator deems appropriate. To the extent that such loan is unpaid at the time a distribution of such Participant's Accounts becomes payable, such unpaid amount shall be deducted from the

amount otherwise payable from his Account. Any loan described in this Section 7.1 shall be considered an investment of the Account from which it was borrowed. Such Account shall not share in the allocation of earnings under Sections 4.2 or 8.4 to the extent of such loan.

- (c) Each loan shall bear interest at a fixed rate which is one percent (1%) above the prime rate, as such rate is reported from time to time in the Wall Street Journal.
- (d) Each loan shall be supported by collateral equal to no more than fifty percent (50%) of the Employee's or other party-in-interest's entire Vested Interest in the Trust. A loan also shall be supported by the Employee's or other party-in-interest's promissory note for the amount of the loan, including interest, payable to the order of the Trustee. The promissory note shall require that the unpaid principal and interest will become due and payable if a loan payment is not made by the last day of the calendar year quarter following the calendar year quarter in which the installment was due and owing. In the event of default, foreclosure on the note and attachment of security will not occur until a distributable event occurs in the Plan.
- (e) Each loan shall be in an amount not less than one thousand dollars (\$1,000.00), and no more than two (2) loans may be outstanding at any one time.

7.2 HARDSHIP WITHDRAWALS

30

37

A Participant may elect in writing (or in such other form as may be permitted from time to time by the Plan Administrator) to withdraw any amount from his Employee Salary Reduction Contribution Account or Rollover Account at any time subject to the following conditions:

- (a) The distribution of a Participant's Employee Salary Reduction Contribution Account or Rollover Account shall not commence prior to his death, Total and Permanent Disability, Normal Retirement Age, or termination of employment, except upon his demonstration of financial hardship or as permitted under Section 7.3. A distribution based upon financial hardship may be made only if the Participant has an immediate and heavy financial need, and cannot exceed the amount required to satisfy such financial need, which may not be satisfied from other resources reasonably available to the Participant. The determination of the existence of an immediate and

heavy financial need and the amount required to be distributed to meet the need created by the hardship must be made by the Plan Administrator in accordance with uniform and nondiscriminatory standards applicable to all Participants. Notwithstanding the preceding sentence, a Participant shall be deemed to have an immediate and heavy financial need if the distribution is on account of:

- (1) Medical expenses described in Code Section 213(d) incurred by the Participant, the Participant's spouse or any of the Participant's dependents (as defined in Code Section 152);
- (2) The purchase (excluding mortgage payments) of a principal residence of the Participant;
- (3) Payment of tuition and related educational fees for the next twelve (12) months of post-secondary education for the Participant, his spouse, children or dependents;
- (4) The need to prevent the eviction of the Participant from his principal residence or foreclosure on the mortgage of the Participant's principal residence; or
- (5) Any other emergency that the Plan Administrator, pursuant to a uniform and nondiscriminatory policy and in accordance with guidelines issued by the Internal Revenue Service, deems a bona fide financial emergency.

Further, and notwithstanding the foregoing, the distribution shall be considered necessary to satisfy the financial need if the requirements set forth in paragraph (b) below are satisfied or if the Plan Administrator reasonably relies upon the Participant's representation that the distribution is not in excess of his immediate and heavy financial need and that he cannot satisfy his financial need by:

- (1) Reimbursement or compensation by insurance;
- (2) Reasonable liquidation of the Participant's assets, including those of his spouse and minor children that are reasonably available to him;
- (3) Cessation of Employee Salary Reduction Contributions under the Plan; and

- (4) Obtaining other distributions or loans from this Plan or other plans maintained by his Company, or by borrowing from commercial sources on reasonable commercial terms.
- (b) A distribution shall be deemed necessary to satisfy an immediate and heavy financial need if:
- (1) The distribution is not in excess of the amount of the immediate and heavy financial need of the Participant;
 - (2) The Participant has obtained all distributions, other than hardship distributions, and all nontaxable loans currently available under all plans maintained by his Company; and
 - (3) The Participant does not make elective deferrals or employee contributions under any plan maintained by his Company for a twelve (12) month period following the date of receipt of the hardship distribution, nor does he make elective deferrals under any plan maintained by his Company for the taxable year immediately following the taxable year of the hardship distribution in excess of the limitation imposed by Section 402(g) of the Code for such next taxable year, less the amount of such Participant's elective deferrals for the taxable year of the hardship distribution.
- (c) The Participant must request a hardship withdrawal in writing on a form provided by the Plan Administrator, or in such other form or manner as the Plan Administrator may from time to time determine. The Plan Administrator shall specify any supporting data required and shall follow a uniform, nondiscriminatory policy in determining the eligibility for, and timing of, hardship withdrawals.
- (d) A Participant shall be entitled to a hardship withdrawal pursuant to this Section 7.2 from that portion of his Employee Salary Reduction Contribution Account that represents his Employee Salary Reduction Contributions, but not on that portion that represents any earnings credited on such Account.

7.3 OTHER WITHDRAWALS

By delivery of a request to the Plan Administrator, in such form or manner as the Plan Administrator may from time to time determine, and with thirty (30) days prior advance notice, a Participant who still is employed by a Company and who has attained age fifty-nine and one-half (59 1/2) years may elect to withdraw all or any portion (but not less than one thousand dollars (\$1,000) in any one request) of the Vested Interest of his Company Contribution Account, Matching Contribution Account, Employee Salary Reduction Contribution Account, or Rollover

Account. Withdrawal of all or part of the Vested Interest of a Participant's Account Balance pursuant to this Section 7.3 shall not affect the Participant's right to continue participation under the Plan. In addition, notwithstanding the foregoing paragraphs of this Article VII, in the event of the termination of the Plan without establishment of a successor plan or upon the occurrence of the circumstances defined in Code Section 401(k)(10)(A)(ii) and (iii), the distribution of all of a Participant's Accounts shall be permitted.

ARTICLE
8.
MANAGEMENT OF FUNDS

32

39

8.1 TRUSTEE AND TRUST AGREEMENT

A Trustee shall be appointed by the Company to administer the Trust Fund. The Trustee shall serve at the pleasure of the Company and shall have the rights, powers, and duties set forth in the Trust Agreement, under which Trust Agreement the Trustee shall receive contributions from each Company. All assets of the Trust Fund shall be held, invested, and reinvested by the Trustee, subject to the terms of the Trust Agreement.

8.2 ASSETS OF THE TRUST FUND

All contributions under this Plan shall be paid to the Trustee and, except as provided in Section 8.3, all assets of the Trust Fund, including income from investments and from all other sources, shall be retained for the exclusive benefit of Participants and their Beneficiaries, and shall be used to pay benefits to such persons or to pay reasonable expenses of administration of the Plan and the Trust to the extent not paid by a Company.

8.3 TRUST CONTRIBUTIONS

All Company Contributions, Employee Salary Reduction Contributions, Matching Contributions, and Rollover Contributions will be paid into the Trust, and all benefits payable under the Plan will be paid from the Trust. No part of the corpus or income of the Trust shall revert to a Company or be used for, or diverted to, purposes other than for the exclusive benefit of Participants and their Beneficiaries. All contributions are expressly conditioned upon the deductibility under Section 404 of the Code of contributions made to provide Plan benefits; to the extent the deductions are disallowed, such contributions shall be returned to the Company denied the deduction within one (1) year after the

disallowance of the deduction. A contribution which was made by a mistake of fact shall be returned to the Company which made the contribution within one (1) year after payment of such contribution.

8.4 DIRECTED INVESTMENT ACCOUNTS

- (a) The Company may establish separate investment funds in which the assets of the Trust will be held. Upon such establishment, the Trustee shall, if the Plan Administrator so directs, and in accordance with the Trust Agreement, permit the Participants to direct the Trustee as to the investment of all or a portion of their Account Balances. If such authorization is given by the Plan Administrator, Participants may, subject to a procedure established and applied in a uniform and nondiscriminatory manner, direct the Trustee to invest their Account Balances in a specific investment fund or funds, including Company securities or real property and other investments permitted under this Plan. To the extent so directed, and as permitted by law, the Trustee and the Plan Administrator shall be relieved of their fiduciary responsibilities under Section 404 of ERISA. That portion of the Account of any Participant so directed will thereupon be considered a "Directed Investment Account," which shall not share in Trust Fund earnings nor be taken into consideration for purposes of Section 4.2. In lieu thereof, the Trustee shall, following the end of each Valuation Date, value all assets of the Trust Fund, allocate net gains or losses, and process additions to and withdrawals from Participants' Account Balances in the following manner:
- (1) The Trustee shall first compute the fair market value of securities and/or the other assets comprising each investment fund. Each

33

40

Account Balance shall be adjusted each business day by applying the closing market price of the investment fund on the current business day to the share/unit balance of the investment fund as of the close of business on the current business day.

- (2) The Trustee then shall account for any requests of additions or withdrawals made to or from a specific designated investment fund by any Participant, including allocations of contributions. In completing the valuation procedure described above, such adjustments in the amounts credited to such accounts shall be made on the business day to which the investment activity relates. Contributions received by the Trustee pursuant to the Plan shall not be taken into account until the Valuation Date coinciding with or next following the date such contribution was both actually paid to

the Trustee and allocated among Account Balances of the Participants.

- (3) Notwithstanding paragraphs 1 and 2 above, if a pooled investment fund is created as a designated fund for Participants, valuation of the pooled investment fund and allocation of earnings of the pooled investment fund shall be governed by any agreement of such pooled investment fund. The provisions of any agreement shall be incorporated by reference in this Section 8.4.

It is intended that this Section 8.4 operate to distribute among each Participant all income of the Trust Fund and changes in the value of the assets of the Trust Fund.

- (b) A separate Directed Investment Account shall be established for each Participant who has directed an investment. Transfers between a Participant's regular account, if any, and his Directed Investment Account shall be charged and credited as the case may be to each account.
- (c) All investments, including that of any common stock, shall be held in the name of the Trustee or one or more of its nominees as provided in the Trust Agreement.
- (d) Each Participant shall file an investment election with, and on a form or in the manner provided by, the Plan Administrator at the time he becomes a Participant in the Plan. A Participant may change his investment fund elections regarding existing Account Balances and future contributions pursuant to procedures established by the Plan Administrator. A Participant also may transfer amounts attributable to prior contributions among the investment funds pursuant to such procedures. All investments and changes must be made in multiples of one percent (1%). Elections shall become effective as soon as practicable after receipt by the Plan Administrator, subject to such limitations and restrictions as the Plan Administrator may, from time to time, establish.
- (e) If no election form has been executed by the Participant for his Directed Investment Account, his entire Account Balance shall be invested by the Trustee pursuant to the Trust Agreement.

ARTICLE

9.

ADMINISTRATION OF PLAN

9.1 PLAN ADMINISTRATOR

The Company shall be the Plan Administrator. The Company may appoint one (1) or more persons or institutions to act as its agent or delegate to aid in carrying out its administrative duties. Absent the written consent of the Plan Administrator, any such person or institution shall perform such duties within the framework of policies, interpretations, rules, practices and procedures established by the Plan Administrator. The Company may, in its discretion, appoint an Investment Manager to manage all or a designated portion of the assets of the Plan. In such event, the Plan Administrator shall direct the Trustee to follow the directive of the Investment Manager in investing the assets of the Plan managed by the Investment Manager.

9.2 RIGHTS, POWERS AND DUTIES OF PLAN ADMINISTRATOR

The Plan Administrator shall have such authority as may be necessary to discharge its responsibilities under the Plan, including the following rights, powers, and duties:

- (a) The Plan Administrator shall adopt rules governing its procedures not inconsistent herewith, and shall keep a permanent record of its meetings and actions. The Plan Administrator shall administer the Plan uniformly and consistently with respect to persons who are similarly situated. The Plan Administrator shall maintain the Accounts of Participants and Beneficiaries under the Plan or shall cause them to be maintained under its direction.
- (b) The Plan Administrator shall direct the Trustee to make payments from the Trust Fund to persons who qualify for such payments hereunder. Such order to the Trustee shall provide the Trustee with appropriate directions as to the determination of distributions hereunder.
- (c) The Plan Administrator shall not take action or direct the Trustee to take any action with respect to any of the benefits provided hereunder which would be discriminatory in favor of those Participants or Employees who are officers, shareholders, or Highly Compensated Employees.
- (d) The Plan Administrator shall have the sole responsibility for the administration of the Plan, and, except as herein expressly provided, the Plan Administrator shall have the exclusive right to interpret the provisions of the Plan and to determine any question arising hereunder or in connection with the administration of the Plan, including the remedying of any omission, inconsistency, or ambiguity, and its decision or action in respect thereof shall be conclusive and binding upon any and all Participants, former

Participants, Beneficiaries, heirs, distributees, executors, administrators, successors, and assigns.

- (e) The Plan Administrator may employ such counsel and agents in such clerical, medical, legal, accounting, and other services as it may require in carrying out the provisions of the Plan.
- (f) Participants or their Beneficiaries shall be notified by the Plan Administrator of their right to receive benefits. The Plan Administrator shall establish a uniform procedure for such notification.
- (g) The Plan Administrator shall establish reasonable procedures for the proper operation of Section 414(p) of the Code with respect to "qualified domestic

35

42

relations orders", as defined therein, including but not limited to, establishing appropriate procedures, authorizing the establishment of new Accounts, and directing distributions from such Accounts.

- (h) The Plan Administrator may establish procedures which a Participant must follow in verifying maternity or paternity leave and the length thereof.
- (i) The Plan Administrator shall consult with each Company and the Trustee regarding the short and long term liquidity needs of the Plan in order that the Trustee, to the extent it exercises any investment discretion, can exercise such discretion in a manner designed to accomplish specific objectives.
- (j) The Plan Administrator may perform any and all other functions as reasonably necessary to administer the Plan.

9.3 EXERCISE OF PLAN ADMINISTRATOR'S DUTIES

The Plan Administrator shall discharge its duties solely in the interest of Participants and their Beneficiaries:

- (a) For the exclusive purposes of providing benefits to such Participants and Beneficiaries and, in the discretion of the Company, defraying reasonable expenses of Plan administration; and
- (b) With the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character.

9.4 INDEMNIFICATION OF FIDUCIARIES

The Company shall indemnify all of its officers, representatives, and Employees assigned fiduciary responsibility under Federal law to the extent that such officers, representatives, or Employees incur loss or damage which may result from such officers' or representatives' or Employees' duties, exercises of discretion under the Plan, or any other acts or omissions hereunder. Such duties, exercises of discretion, acts or omissions shall not be indemnified by the Company in the event that such loss or damage is judicially determined or agreed by the officers, representatives, or Employees to be due to their respective gross negligence or willful misconduct.

9.5 COMPENSATION

Any individuals acting as Plan Administrator or as agent of the Plan Administrator shall serve without compensation for services as such, but all proper expenses incurred by the individual incident to the functioning of the Plan shall be paid by the Company.

36

43

9.6 EXPENSES

All expenses of administration may be paid out of the Trust Fund unless paid by a Company or the Participant. Such expenses shall include any expenses incident to the functioning of the Plan Administrator, including, but not limited to fees of accountants, counsel and other specialists and their agents, and other costs of administering the Trust Fund.

ARTICLE

10.

CLAIMS PROCEDURES

10.1 CLAIMS REVIEW

Any Participant or Beneficiary who wishes to request review of a claim for benefits or who wishes an explanation of a benefit or its denial may direct to the Plan Administrator a written request for such review. The Plan Administrator shall respond to the request by issuing a notice to the claimant, posted by first-class mail to the address of record of the claimant as soon as possible, but in no event later than

ninety (90) days from the date of the request. This notice furnished by the Plan Administrator shall be written in a manner calculated to be understood by the claimant and shall include the following:

- (a) The specific reason or reasons for any denial of benefits;
- (b) The specific Plan provisions on which any denial is based;
- (c) A description of any further material or information which is necessary for the claimant to perfect his claim and an explanation of why the material or information is needed; and
- (d) An explanation of the Plan's claim appeals procedure.

If the claimant does not respond to the notice, posted by first-class mail to the address of record of the Plan Administrator, within one hundred twenty (120) days from the posting of the notice, the claimant shall be considered satisfied in all respects. If the Plan Administrator fails to respond to the claimant's written request for a review, the claimant shall be entitled to proceed to the claim appeals procedure described in Section 10.2.

10.2 APPEALS PROCEDURE

In the event that the claimant wishes to appeal the claim review denial, the claimant or his duly authorized representative may submit to the Plan Administrator, within one hundred twenty (120) days of the posting of the notice, a written notification of appeal of the claim denial. The notification of appeal of the claim denial shall permit the claimant or his duly authorized representative to utilize the following claim appeals procedures:

- (a) To review pertinent documents; and
- (b) To submit issues and comments in writing to which the Plan Administrator shall respond.

The Plan Administrator shall furnish a written decision on the appeal no later than sixty (60) days after receipt of the notification of appeal, unless special circumstances require an extension of the time for processing the appeal. In no event, however, shall the Plan Administrator respond later than one hundred twenty (120) days after a request for an appeal. The decision on appeal shall be in writing and shall include specific reasons for the decision, and shall be written in a manner calculated to be understood by the claimant and

contain specific reference to the pertinent Plan provisions on which the decision is based.

ARTICLE

11.

AMENDMENT AND TERMINATION

11.1 TERMINATION

- (a) It is the expectation of the Company that it shall continue this Plan and the payment of contributions hereunder indefinitely, but the continuation of the Plan is not assumed as a contractual obligation of the Company, and the right is reserved by the Company at any time to terminate the Plan, and each Participating Employer in adopting this Plan, consents to any such termination. The Company, by resolution of the Board, may terminate the Plan with respect to any or all Participating Employers. Each Company, by a resolution of its Board of Directors, may terminate its participation in the Plan. If participation in the Plan is terminated by fewer than all Participating Employers, it shall continue in effect for Participants employed by the remaining Participating Employers. In the event that the Plan is terminated in whole or part or if contributions by a Company are permanently discontinued, the interest of all affected Participants shall be fully vested and nonforfeitable.
- (b) A Plan termination shall become effective as of the date of the Board action or any subsequent date determined by the Board.
- (c) Upon complete termination of the Plan, further payment of Company Contributions to the Trust shall cease. The Plan Administrator shall notify each affected Participant of the termination of the Plan. Each affected Participant shall be entitled to receive the entire amount of his Account Balances and the Plan Administrator shall direct the Trustee to make payment to each such Participant of such amount in cash or in assets of the Trust Fund, as the Plan Administrator shall determine.

11.2 RIGHT TO AMEND, MODIFY, CHANGE OR REVISE PLAN

The Company, by appropriate action of its Board, may at any time and from time to time amend, modify, change, or revise this Plan in whole or in part. Each Participating Employer, in adopting this Plan, consents to any such amendment, modification, change, or revision; provided however:

- (a) That no amendment shall have the effect of vesting in any Company any interest in or control of any funds, securities, or other property subject to the terms of the Trust;

- (b) That no amendment shall authorize or permit at any time any part of the corpus or income of the Trust Fund to be used for or diverted to purposes

38

45

other than for the benefit of Participants and their Beneficiaries, except as provided in Section 8.3;

- (c) That no amendment shall have any retroactive effect as to deprive any Participant or Beneficiary of any benefit already accrued, save only that no amendment made in conformance with the provisions of the Code or any other statute relating to employees' trusts, or of any official regulation or rulings issued pursuant thereto, shall be considered prejudicial to the rights of any Participant or Beneficiary; and
- (d) That no amendment shall eliminate an optional form of benefit or decrease an Account Balance.

11.3 MERGER AND CONSOLIDATION OF PLAN; TRANSFER OF PLAN ASSETS

In the case of any merger or consolidation with or transfer of assets and liabilities to any other plan, provisions shall be made so that each Participant in the Plan on the date thereof (if the Plan then terminated) would receive a benefit immediately after the merger, consolidation, or transfer which is equal to or greater than the benefit he would have been entitled to receive immediately prior to the merger, consolidation, or transfer (if the Plan had terminated).

39

46

ARTICLE 12.

TOP-HEAVY PROVISIONS

12.1 DEFINITIONS

COMPENSATION means compensation as defined under Section 414(q) (7) of the Code.

DETERMINATION DATE means, with respect to any Plan Year, the last calendar day of the immediately preceding Plan Year or, in the case of

the first Plan Year, the last calendar day of the first Plan Year.

KEY EMPLOYEE means any Employee or former Employee (or any Beneficiary of such Employee) who, at any time during the Plan Year or any of the four (4) immediately preceding Plan Years (or, if fewer, the total number of Plan Years during which the Plan has been in effect) is or was:

- (a) An officer of a Company or an Affiliate whose compensation exceeds fifty percent (50%) of the amount in effect under Section 415(b)(1)(A) of the Code for such Plan Year;
- (b) One (1) of the ten (10) Employees whose compensation exceeds the amount in effect under Section 415(c)(1)(A) of the Code and who owns (or is considered to own under Section 318 of the Code) one (1) of the largest interests in a Company or an Affiliate;
- (c) A five percent (5%) owner of a Company; or
- (d) A one percent (1%) owner of a Company whose annual compensation from a Company and Affiliates exceeds one hundred fifty thousand dollars (\$150,000).

An officer is defined as an actual officer of a Company or an Affiliate; provided, however, that not more than the greater of three (3) Employees or ten percent (10%) of the Employees (but in no event more than fifty (50) Employees) shall be considered as officers in determining whether the Plan is Top-heavy.

NON-KEY EMPLOYEE means any Employee who is not a Key Employee.

PERMISSIVE AGGREGATION GROUP means the Required Aggregation Group of plans plus any other plan or plans of a Company or an Affiliate which, when considered as a group with the Required Aggregation Group, would continue to satisfy the requirements of Sections 401(a)(4) and 410 of the Code.

REQUIRED AGGREGATION GROUP means the group of:

- (a) Each qualified plan of a Company or an Affiliate in which at least one (1) Key Employee participates; and
- (b) Any other qualified plan of a Company or an Affiliate which enables a plan described in paragraph (a) above to meet the requirements of Section 401(a)(4) or Section 410 of the Code.

TOP-HEAVY

The Plan shall be deemed to be Top-heavy for any Plan Year if, as of the Determination Date for such Plan Year, any of the following conditions exists:

- (a) If the Top-heavy Ratio for the Plan exceeds sixty percent (60%) and the Plan is not part of a Required Aggregation Group of plans or a Permissive Aggregation Group of plans;
- (b) If the Plan is part of a Required Aggregation Group of plans (but is not part of a Permissive Aggregation Group of plans) and the Top-heavy Ratio for the group of plans exceeds sixty percent (60%);
or
- (c) If the Plan is part of a Required Aggregation Group of plans and part of a Permissive Aggregation Group of plans and the Top-heavy Ratio for the Permissive Aggregation Group of plans exceeds sixty percent (60%).

TOP-HEAVY RATIO

- (a) If a Company or an Affiliate maintains one (1) or more defined contribution plans (including any simplified employee pension plan) and such Company or Affiliate has not maintained any defined benefit plan which, during the five (5) Plan Year period ending on the Determination Date, has or has had any accrued benefits, the Top-Heavy Ratio for the Plan or for the Required Aggregation Group or the Permissive Aggregation Group, as appropriate, shall be a fraction, the numerator of which is the sum of the account balances of all Key Employees under the aggregated defined contribution plans as of the Determination Date (including any part of any account balance distributed in the five (5) Plan Year period ending on the Determination Date) and the denominator of which is the sum of all account balances (including any part of any account balance distributed in the five (5) Plan Year period ending on the Determination Date) of all Participants as of the Determination Date, both computed in accordance with Section 416 of the Code. The numerator and denominator of the Top-heavy Ratio shall be adjusted to reflect any contribution not actually made as of the Determination Date, but which is required to be taken into account on that date under Section 416 of the Code.
- (b) If a Company or an Affiliate maintains or has maintained one (1) or more defined contribution plans (including any simplified employee pension plan) and such Company or Affiliate maintains or has maintained one (1) or more defined benefit plans which, during the five (5) Plan Year period ending on the Determination Date, has or has had any accrued benefits, the Top-heavy Ratio for the Required Aggregation Group or the Permissive Aggregation Group, as appropriate, shall be a fraction, the numerator of which is the sum of the account balances of all Key Employees under the aggregated

defined contribution plans and the present value of the accrued benefits of all Key Employees under the aggregated defined benefit plans as of the Determination Date, and the denominator of which is the sum of the account balances of all Participants under the aggregated defined contribution plans and the present value of the accrued benefits of all Participants under the aggregated defined benefit plans as of the Determination Date, determined in accordance with Section 416 of the Code. The numerator and denominator of the Top-heavy Ratio shall be adjusted for any distribution of an account balance or accrued benefit made in the five (5) Plan Year period ending on the Determination Date and any contribution due but unpaid as of the Determination Date.

- (c) For purposes of paragraphs (a) and (b) above, the value of the account balances and the present value of the accrued benefits shall be determined as of the most recent Valuation Date occurring within the twelve (12) month

41

48

period ending on the Determination Date, except as provided in Section 416 of the Code for the first and second Plan Years of a defined benefit plan. The accrued benefits of Non-Key Employees shall be determined under the method which is used for accrual purposes for all plans of a Company and Affiliates or, if there is no such method, then as if such benefit accrued not more rapidly than the slowest accrual rate permitted under the fractional accrual rate of Code Section 411(b)(1)(C). The account balances and the accrued benefits of a Participant who is not a Key Employee but who was a Key Employee in a prior Plan Year or who has not performed any services for a Company under the Plan at any time during the five (5) Plan Year period ending on the Determination Date shall be disregarded. The calculation of the Top-heavy Ratio and the extent to which distributions, rollovers, and direct transfers are taken into account shall be made in accordance with Section 416 of the Code. When aggregating plans, the value of the account balances and the present value of the accrued benefits shall be calculated with reference to the Determination Dates that fall within the same calendar year.

VALUATION DATE means the same valuation date used for computing plan costs for minimum funding, regardless of whether an actuarial valuation is performed that year.

12.2 SPECIAL CODE SECTION 415 LIMITATIONS

For purposes of Section 4.5, in any Plan Year during which the Plan is deemed to be Top-heavy and in which a Company also maintains a defined benefit plan which is deemed to be Top-heavy, the number 1.25 shall be

replaced by the number 1.0 to the extent required under Section 416(h) of the Code; provided, however, that such adjustment shall not occur if the Top-heavy Ratio does not exceed ninety percent (90%) and additional contributions or benefits are provided for Non-Key Employees in accordance with the provisions of Sections 416(h)(2)(A) and (B) of the Code. In such case, the minimum allocation described in Section 12.4(a) shall be equal to seven and one-half percent (7 1/2%) of compensation for each Non-Key Employee covered under both plans.

12.3 MISCELLANEOUS

- (a) Unrelated rollover contributions or transfers from plans other than a plan sponsored by a Company or an Affiliate shall not be considered a part of the Participant's Account Balance for purposes of determining whether or not the Plan is Top-heavy.
- (b) Related rollover contributions or transfers from other plans sponsored by a Company or an Affiliate shall be considered a part of the Participant's Account Balance for purposes of determining whether or not the Plan is Top-heavy.

12.4 MINIMUM ALLOCATION REQUIREMENTS

- (a) Company contributions allocated on behalf of any Participant who is not a Key Employee shall not be less than the lesser of three percent (3%) of such Participant's Compensation, or the largest percentage of contributions allocated on behalf of any Key Employee of such Company for that Plan Year, without, in either event, taking into consideration any contributions or benefits under Social Security or any similar legislation. The preceding provisions shall not apply to any Participant who was not employed by a Company on the last day of the Plan Year.

42

49

- (b) The minimum allocation in paragraph (a) shall be made even though, under other Plan provisions, the Participant otherwise would not be entitled to receive an allocation, or would have received a lesser allocation for the Plan Year because the Participant failed to complete at least one thousand (1,000) Hours of Service, the Participant's Compensation was less than any stated amount, or the Participant failed to make mandatory contributions to the Plan. The minimum allocation above shall not apply to a Participant covered under another defined contribution plan of a Company if such Participant receives the minimum allocation under such other plan.
- (c) The minimum allocation required (to the extent required to be nonforfeitable under Section 416(b) of the Code) may not be

forfeited under Sections 411(a)(3)(B) or 411(a)(3)(D) of the Code.

- (d) If a Company maintains a defined benefit plan that also covers any Non-Key Employee who is a Participant in this Plan, the defined benefit plan shall be designated to satisfy the minimum allocation or benefit requirements of Section 416 of the Code for each such Non-Key Employee. To that extent, the minimum allocation in paragraph (a) shall not be made.

ARTICLE

13.

PARTICIPATING EMPLOYERS

13.1 ADOPTION BY OTHER EMPLOYERS

Notwithstanding anything herein to the contrary, with the consent of the Company, any other corporation or entity, whether an Affiliate or not, may adopt this Plan and all of the provisions hereof, and participate herein and be known as a Participating Employer, by a properly executed document evidencing said intent and will of such Participating Employer.

13.2 REQUIREMENTS OF PARTICIPATING EMPLOYERS

- (a) Each such Participating Employer shall be required to use the same Trustee as provided in this Plan, unless the Plan Administrator otherwise consents to an alternative trustee.
- (b) The transfer of any Participant from or to the Company or a Participating Employer shall not affect such Participant's rights under the Plan, and all amounts credited to such Participant's Accounts as well as his accumulated service time with the transferor or predecessor, and his length of participation in the Plan, shall continue to his credit.
- (c) Unless the Plan Administrator shall otherwise direct, all rights and values forfeited by termination of employment shall inure only to the benefit of the Employee-Participants of the Participating Employer by which the forfeiting Participant was employed on the date of termination.
- (d) Any expenses of the Trust Fund which are to be paid by the Company or borne by the Trust Fund shall be paid by each Participating Employer in the same proportion that the total amount standing to the credit of all Participants employed by such Participating Employer bears to the total standing to the credit of all Participants.

13.3 DESIGNATION OF AGENT

Each Participating Employer shall be deemed to be a part of this Plan; provided, however, that with respect to all of its relations with the Trustee and Plan Administrator for the purpose of this Plan, each Participating Employer shall be deemed to have designated irrevocably the Company as its agent. Except for Article IX of the Plan, and unless the context of the Plan otherwise indicates to the contrary, the word "Company" shall be deemed to include each Participating Employer as related to its adoption of the Plan.

13.4 EMPLOYEE TRANSFERS

It is anticipated that an Employee may be transferred between Participating Employers, and in the event of any such transfer, the Employee involved shall carry with him his accumulated service and eligibility. No such transfer shall effect a termination of employment hereunder, and the Participating Employer to which the Employee is transferred shall thereupon become obligated hereunder with respect to such Employee in the same manner as was the Participating Employer from whom the Employee was transferred.

13.5 PARTICIPATING EMPLOYERS CONTRIBUTION

All contributions made by a Participating Employer, as provided for in this Plan, shall be determined separately on the basis of its total Compensation paid, and shall be paid to the Trustee for the exclusive benefit of the Employees of such Participating Employer and the Beneficiaries of such Employees, subject to all the terms and conditions of this Plan and the Trust Agreement. Unless the Plan Administrator shall otherwise direct, any Forfeiture shall be applied only for the benefit of the Participating Employer for whom the forfeiting Participant last was employed. On the basis of the information furnished by the Plan Administrator, the Plan Administrator shall direct the Trustee to keep separate books and records concerning the affairs of each Participating Employer hereunder and as to the accounts and credits of the Employees of each Participating Employer.

13.6 AMENDMENT

Amendment of this Plan by the Company at any time when there shall be a Participating Employer hereunder shall only be by the written action of the Company and each and every Participating Employer hereby consents to any such Amendment.

13.7 DISCONTINUANCE OF PARTICIPATION

Any Participating Employer shall be permitted to discontinue or revoke its participation in the Plan. At the time of any such discontinuance or revocation, satisfactory evidence thereof and of any applicable conditions imposed shall be delivered to the Plan Administrator. The Plan Administrator shall thereafter direct the Trustee to transfer, deliver, and assign contracts and other Trust Fund assets allocable to the Participants of such Participating Employer to such new trustee as shall have been designated by such Participating Employer, in the event that it has established a separate pension plan for its Employees. If no successor is designated, the Trustee shall retain such assets for the Employees of said Participating Employer. In no such event shall any part of the corpus or income of the Trust as it relates to such Participating Employer be used for or diverted for purposes other than for the exclusive benefit of the Employees of such Participating Employer.

13.8 PLAN ADMINISTRATOR'S AUTHORITY

44

51

The Plan Administrator shall have authority to make any and all necessary rules or regulations, binding upon all Participating Employers and all Participants, to effectuate the purposes of this Article.

ARTICLE

14.

MISCELLANEOUS

14.1 NO CONTRACT OF EMPLOYMENT

Nothing herein contained shall be construed to constitute a contract of employment between a Company and any Employee. The employment records of a Company and the Trustee's records shall be final and binding upon all Employees as to liability and participation.

14.2 RESTRICTIONS UPON ASSIGNMENTS AND CREDITORS' CLAIMS

No interest of any person or entity in or right to receive distributions from the Trust Fund shall be subject in any manner to sale, transfer, assignment, pledge, attachment, garnishment, or other alienation or encumbrance of any kind, nor may any such interest or right to receive distributions be taken, either voluntarily or involuntarily, for the satisfaction of the debts of or other obligations or claims against such

person or entity. The preceding sentence also shall apply to the creation, assignment, or recognition of a right to any benefit payable with respect to a Participant pursuant to a domestic relations order unless such order is determined to be a qualified domestic relations order, as defined in Section 414(p) of the Code. A domestic relations order entered before January 1, 1985 shall be treated as a qualified domestic relations order if payment of benefits pursuant to the order has commenced as of such date and may be treated as a qualified domestic relations order if payment of benefits has not commenced as of such date, even though the order does not satisfy the requirements of Section 414(p) of the Code.

Notwithstanding anything in the Plan to the contrary, a payment from a Participant's Account may be made to an alternate payee (as defined in Section 414(p)(8) of the Code) prior to the date the Participant reaches his earliest retirement age (as defined in Section 414(p)(4)(B) of the Code) if such payments are made pursuant to a qualified domestic relations order. All such payments pursuant to a qualified domestic relations order shall be paid in a lump sum, unless the domestic relations order specifies a different manner of payment permitted by the Plan. The Plan Administrator may adopt reasonable rules and regulations regarding the time of payment and the valuation of the Participant's Account from which payment is made, provided such rules and regulations shall not be inconsistent with Section 414(p) of the Code. The balance of an Account that is subject to any qualified domestic relations order shall be reduced by the amount of any payment made pursuant to such order.

14.3 RESTRICTION OF CLAIMS AGAINST TRUST

The Trust under this Plan and the Trust Fund from its inception shall be a separate entity aside and apart from each Company and its assets. The Trust and the corpus and income thereof shall in no event and in no manner whatsoever be subject to the rights or claims of any creditor of any Company. Neither the establishment of the Trust, the modification thereof, the creation of any fund or account, nor the payment of any benefits shall be construed as giving any

45

52

Participant or any other person whomsoever any legal or equitable rights against any Company or the Trustee unless the same shall be specifically provided for in this Plan or the Trust Agreement.

14.4 BENEFITS PAYABLE BY TRUST

All benefits payable under the Plan shall be paid or provided for solely from the Trust, and no Company assumes any liability or responsibility therefor.

14.5 SAVINGS CLAUSE

This Plan is intended to comply in all respects with all applicable laws and regulations, including with respect to Company stock as an investment hereunder, Rule 16b-3 as promulgated by the Securities and Exchange Commission. In case any one or more provisions of this Plan shall be held invalid, illegal, or unenforceable in any respect under applicable laws and regulations, or shall be inconsistent with applicable laws and regulations (including Rule 16b-3), the invalid, illegal, or unenforceable provision, or the inconsistent provision, shall be deemed null and void and shall be construed, interpreted or revised, as necessary, to permit this Plan to be in compliance with all applicable laws (including Rule 16b-3) so as to foster the intent of this Plan. Notwithstanding anything in this Plan to the contrary, those Participants who are officers or directors for purposes of Section 16 of the Securities Exchange Act of 1934, as amended from time to time, shall not be entitled to participate in, or transfer funds into, a U.S. Robotics Corporation Stock Fund, if such a stock fund is available as a self-directed investment option under Section 8.4 of the Plan.

14.6 SUCCESSOR TO COMPANY

In the event that any successor to a Company, by merger, consolidation, purchase, or otherwise, shall elect to adopt the Plan, such successor shall be substituted hereunder for such Company upon filing in writing with the Trustee of its election to do so.

14.7 APPLICABLE LAW

The Plan shall be construed and administered in accordance with ERISA, and any judicial review thereunder shall be governed by the "arbitrary and capricious" standard of review, as enunciated by case law. To the extent not preempted by ERISA, the laws of the State of Illinois shall govern.

14.8 DATA

It shall be a condition precedent to the payment of all benefits under the Plan that each Participant and surviving spouse must furnish to the Plan Administrator such documents, evidence, or information as the Plan Administrator considers necessary or desirable for the purpose of administering the Plan, or to protect a Company or the Trustee.

14.9 INTERNAL REVENUE SERVICE APPROVAL

This Plan shall be effective as of the Effective Date, provided that the Company shall obtain a favorable determination letter from the Internal Revenue Service that this Plan and Trust qualify under Sections 401(a) and 501(a) of the Code. Any modification or amendment of this Plan may be made retroactive as necessary or appropriate in order to secure or

maintain such qualification.

46

53

Dated and Executed: March 28, 1996

U.S. ROBOTICS CORPORATION

By: Elizabeth S. Ryan
Its: Vice President

47

EXHIBIT 11

COMPUTATION OF NET EARNINGS PER SHARE
(IN THOUSANDS, EXCEPT PER SHARE DATA)<TABLE>
<CAPTION>

	1996	1995	1994
	-----	-----	-----
<S>	<C>	<C>	<C>
PRIMARY EARNINGS PER SHARE			
Weighted average common shares outstanding.....	86,681	77,650	70,624
Additional shares assuming exercise of all options outstanding.....	12,619	15,737	15,176
Shares repurchased.....	(4,368)	(8,084)	(9,432)
	-----	-----	-----
Shares used in per share calculations.....	94,932	85,304	76,368
	=====	=====	=====
Net earnings.....	\$170,020	\$65,951	\$36,121
	=====	=====	=====
Net earnings per share.....	\$ 1.79	\$.77	\$.47
	=====	=====	=====
FULLY DILUTED EARNINGS PER SHARE			
Weighted average common shares outstanding.....	86,681	77,650	70,624
Additional shares assuming exercise of all options outstanding	13,148	16,022	15,112
Shares repurchased.....	(4,561)	(6,994)	(9,216)
	-----	-----	-----
Shares used in per share calculations.....	95,268	86,678	76,520
	=====	=====	=====
Net earnings.....	\$170,020	\$65,951	\$36,121
	=====	=====	=====
Net earnings per share.....	\$ 1.78	\$.76	\$.47
	=====	=====	=====

</TABLE>

U.S. ROBOTICS CORPORATION
SUBSIDIARIES

SUBSIDIARY

JURISDICTION

U.S. Robotics Access Corp.
Megahertz Holding Inc.
U.S. Robotics Mobile Communications Corp.

Delaware
Utah
Utah

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We have issued our reports dated November 4, 1996 with respect to the consolidated financial statements and schedule of U.S. Robotics Corporation and Subsidiaries, included in Annual Report on Form 10-K for the year ended September 29, 1996. We consent to the incorporation by reference of said reports in the Registration Statements on Form S-8 (Nos. 33-89698, 33-89700, 33-89702, 33-97632, 33-98782 and 333-10955) and in the Registration Statements on Form S-3 (Nos. 33-86856, 33-98758 and 33-33666).

/s/ GRANT THORNTON LLP

Grant Thornton LLP

Chicago, Illinois
December 27, 1996

<TABLE> <S> <C>

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEET AT SEPTEMBER 29, 1996 AND THE CONSOLIDATED STATEMENT OF EARNINGS FOR THE YEAR ENDED SEPTEMBER 29, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

</LEGEND>

<MULTIPLIER> 1,000

<S>	<C>
<PERIOD-TYPE>	12-MOS
<FISCAL-YEAR-END>	SEP-29-1996
<PERIOD-START>	OCT-02-1995
<PERIOD-END>	SEP-29-1996
<CASH>	16,814
<SECURITIES>	0
<RECEIVABLES>	501,613
<ALLOWANCES>	11,573
<INVENTORY>	185,855
<CURRENT-ASSETS>	750,609
<PP&E>	335,957
<DEPRECIATION>	59,366
<TOTAL-ASSETS>	1,067,283
<CURRENT-LIABILITIES>	333,704
<BONDS>	54,044
<PREFERRED-MANDATORY>	882
<PREFERRED>	0
<COMMON>	0
<OTHER-SE>	670,988
<TOTAL-LIABILITY-AND-EQUITY>	1,067,283
<SALES>	1,977,512
<TOTAL-REVENUES>	1,977,512
<CGS>	1,149,446
<TOTAL-COSTS>	1,149,446
<OTHER-EXPENSES>	528,739
<LOSS-PROVISION>	7,314
<INTEREST-EXPENSE>	4,995
<INCOME-PRETAX>	301,890
<INCOME-TAX>	131,870
<INCOME-CONTINUING>	170,020
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	170,020
<EPS-PRIMARY>	1.79
<EPS-DILUTED>	1.78

</TABLE>