

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-05-13** | Period of Report: **1994-03-31**
SEC Accession No. **0000950128-94-000095**

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

FILER

WESTINGHOUSE ELECTRIC CORP

CIK: **106413** | IRS No.: **250877540** | State of Incorpor.: **PA** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **001-00977** | Film No.: **94528077**
SIC: **3585** Air-cond & warm air heatg equip & comm & indl refrig equip

Business Address
*WESTINGHOUSE BLDG
11 STANWIX STREET
PITTSBURGH PA 15222
4122442000*

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549-1004

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 1994

OR

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

For the transition period from ____ to ____

Commission file number 1-977

WESTINGHOUSE ELECTRIC CORPORATION

(Exact name of registrant as specified in its charter)

Pennsylvania

25-0877540

(State of Incorporation)

(I.R.S. Employer Identification No.)

Westinghouse Building, 11 Stanwix Street, Pittsburgh, Pa. 15222-1384

(Address of principal executive offices, zip code)

(412) 244-2000

(Registrant's telephone number, including area code)

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 No

Common stock 353,583,832 shares outstanding at April 30, 1994

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Condensed Consolidated Statement of
Income

Condensed Consolidated Balance Sheet

Condensed Consolidated Statement of
Cash Flows

Notes to the Condensed Consolidated
Financial Statements

Item 2. Management's Discussion
and Analysis of Financial Condition
and Results of Operations

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Item 6. Exhibits and Reports on
Form 8-K

SIGNATURE

-2-

3

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS
WESTINGHOUSE ELECTRIC CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF INCOME

(in millions except per share amounts) (unaudited)

<TABLE>
<CAPTION>

Three Months Ended
March 31

1994

1993

<S>	<C>	<C>
Sales of products and services	\$ 1,743	\$ 2,020
Costs of products and services	(1,349)	(1,552)
Marketing, administration and general expenses	(329)	(322)
Other income and expenses, net (note 2)	39	6
Interest expense	(47)	(53)
	-----	-----
Income from Continuing Operations before income taxes and minority interest in income of consolidated subsidiaries	57	99
Income taxes	(22)	(36)
Minority interest in income of consolidated subsidiaries	1	(4)
	-----	-----
Income from Continuing Operations	36	59
Loss from Discontinued Operations	-	-
	-----	-----
Income before cumulative effect of changes in accounting principles	36	59
Cumulative effect of changes in accounting principles: Postemployment benefits (note 3)	-	(56)
	-----	-----
Net income	\$ 36	\$ 3
	=====	=====
</TABLE>		

-3-

4

CONDENSED CONSOLIDATED STATEMENT OF INCOME (CONTINUED)

(in millions except per share amounts) (unaudited)

<TABLE>
<CAPTION>

	Three Months Ended March 31	
	1994	1993
	-----	-----
<S>	<C>	<C>
Earnings per common share:		
From Continuing Operations	\$ 0.07	\$ 0.14
From Discontinued Operations	-	-

From cumulative effect of changes in accounting principles	-	(0.16)
	-----	-----
Earnings per common share	\$ 0.07	\$ (0.02)
	=====	=====
Cash dividends per common share	\$ 0.05	\$ 0.10

See Notes to the Condensed Consolidated Financial Statements

WESTINGHOUSE ELECTRIC CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEET

(in millions)

<TABLE>
<CAPTION>

	March 31 1994 ----	December 31 1993 ----
	(unaudited)	
ASSETS		

<S>	<C>	<C>
Cash and cash equivalents	\$ 499	\$ 637
Customer receivables	1,273	1,381
Inventories (note 4)	1,662	1,549
Uncompleted contracts costs over related billings	344	371
Prepaid and other current assets	901	836
	-----	-----
Total current assets	4,679	4,774
Plant and equipment, net	1,901	1,964
Intangible and other noncurrent assets	3,763	3,815
	-----	-----
Total assets	\$10,343	\$10,553
	=====	=====

</TABLE>

-4-

5

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

(in millions)

<TABLE>

<CAPTION>

	March 31 1994 ----	December 31 1993 ----
	(unaudited)	
LIABILITIES AND SHAREHOLDERS' EQUITY		

<S>	<C>	<C>
Short-term debt	\$ 190	\$ 662
Current maturities of long-term debt	12	9
Accounts payable	582	656
Uncompleted contracts billings over related costs	589	672
Other current liabilities	1,743	1,926
	-----	-----
Total current liabilities	3,116	3,925
Long-term debt	1,882	1,885
Net liabilities of Discontinued Operations	211	211
Other noncurrent liabilities	3,532	3,453
	-----	-----
Total liabilities	8,741	9,474
	-----	-----
Contingent liabilities and commitments (note 6)		
Minority interest in equity of consolidated subsidiaries	30	34
Shareholders' equity (note 7):		
Preferred stock, \$1.00 par value (25 million shares authorized):		
Series A preferred (no shares issued)	-	-
Series B conversion preferred (8 million shares issued)	8	8
Series C conversion preferred (4 million shares issued)	4	-
Common stock, \$1.00 par value (480 million shares authorized, 393 million shares issued)	393	393
Capital in excess of par value	1,969	1,475
Common stock held in treasury	(948)	(972)
Other	(1,260)	(1,260)
Retained earnings	1,406	1,401
	-----	-----
Total shareholders' equity	1,572	1,045
	-----	-----
Total liabilities and shareholders' equity	\$10,343	\$10,553
	=====	=====

</TABLE>

See Notes to the Condensed Consolidated Financial Statements

WESTINGHOUSE ELECTRIC CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(in millions) (unaudited)

<TABLE>
<CAPTION>

	Three Months Ended March 31	
	----- 1994	----- 1993
<S>	<C>	<C>
CONTINUING OPERATIONS:		
Cash (used) provided by Operating Activities	\$ (168)	\$ 39
Cash Flows from Investing Activities		
Capital expenditures	(35)	(33)
Cash from (to) Discontinued Operations	(11)	-
Business Divestitures	50	-
Other	10	-
Cash (used) provided by Investing Activities	14	(33)
Cash Flows from Financing Activities		
Change in short-term debt	(469)	(20)
Sale of equity securities	505	-
Dividends	(30)	(48)
Treasury Stock	24	23
Other	(14)	1
Cash (used) provided by Financing Activities	16	(44)
Cash used by Continuing Operations	(138)	(38)
DISCONTINUED OPERATIONS:		
Operating Activities	(75)	(66)
Investing Activities	1,505	336
Financing Activities	(1,664)	(407)
Cash used by Discontinued Operations	(234)	(137)
Decrease in cash and cash equivalents	(372)	(175)
Cash and cash equivalents at beginning of period	1,248	1,554
Cash and cash equivalents at end of period	\$ 876	\$ 1,379
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid -- Continuing Operations	\$ 44	\$ 49
Interest paid -- Discontinued Operations	53	103
Income taxes paid	58	21

</TABLE>

7

WESTINGHOUSE ELECTRIC CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The financial statements include the accounts of Westinghouse Electric Corporation (Westinghouse) and its subsidiary companies (together, the Corporation) after elimination of intercompany accounts and transactions.

In November 1992, the Corporation's Board of Directors adopted a plan (the Plan) that included exiting the financial services and other non-strategic businesses. The Corporation classified the operations of Distribution and Control Business Unit (DCBU), Westinghouse Electric Supply Company (WESCO) (collectively, Other Operations) and Financial Services as discontinued operations in accordance with Accounting Principles Board Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently occurring Events and Transactions" (APB 30). Under this Plan, the disposition of The Knoll Group (Knoll) was scheduled to occur by the end of 1994 and WCI Communities, Inc. (WCI) by the end of 1995. Financial Services was comprised primarily of Westinghouse Credit Corporation (WCC) and Westinghouse Savings Corporation (WSAV), each a subsidiary of Westinghouse Financial Services, Inc. (WFSI) and the Corporation's leasing portfolio. During 1993, WFSI and WCC were merged into Westinghouse.

In January 1994, the Corporation announced that the sale of WCI will be accelerated from 1995 into 1994 and Knoll is no longer for sale. WCI will continue to be reported as part of Continuing Operations until the requirements of APB 30 are met. At that time, WCI will be classified as a discontinued operation and appropriate restatements will be made to the Corporation's financial statements. See note 5 to the financial statements.

In the opinion of the management of the Corporation, the condensed consolidated financial statements include all material adjustments necessary to present fairly the Corporation's financial position, results of operations and cash flows. Such adjustments are of a normal recurring nature. The results for this interim period are not necessarily indicative of results for the entire year.

When reading the financial information contained in this Quarterly Report, reference should be made to the financial statements, schedules and notes contained in the Corporation's Annual Report on Form 10-K for the year ended December 31, 1993.

2. OTHER INCOME AND EXPENSES, NET (in millions) (unaudited)

<TABLE>
<CAPTION>

	Three Months Ended March 31	

	1994	1993
	----	----
<S>	<C>	<C>
Interest on securities	\$ 5	\$ 4
Operating results - nonconsolidated affiliates	(1)	(2)
Net gain on disposition of other assets	35	5
Miscellaneous interest income	-	1
Foreign currency transaction and high-inflation translation effects	(2)	(3)
Miscellaneous other income and expenses, net	2	1
	----	----
Other income and expenses, net	\$ 39	\$ 6
	====	====

</TABLE>

Gain on disposition of other assets for the first quarter of 1994 includes a gain of \$32 million from the sale of two Sacramento radio stations.

3. CHANGES IN ACCOUNTING PRINCIPLES

In December 1993, the Corporation adopted, retroactive to January 1, 1993, Statement of Financial Accounting Standards (SFAS) No. 112 "Employers' Accounting for Postemployment Benefits." This statement requires employers to adopt accrual accounting for workers' compensation, salary continuation, medical and life insurance continuation, severance benefits and disability benefits provided to former or inactive employees after employment but before retirement.

The retroactive adoption of SFAS No. 112 resulted in a first quarter 1993 after-tax charge for postemployment benefits at January 1, 1993 of \$56 million, or \$.16 per share in 1993.

4. INVENTORIES (in millions)

<TABLE>
<CAPTION>

	March 31	December 31
	1994	1993
	----	----
	(unaudited)	
<S>	<C>	<C>
Raw materials	\$ 133	\$ 137
Work in process	1,145	989
Finished good	88	104
	-----	-----
	1,366	1,230
Long-term contracts in process	643	678
Progress payments to subcontractors	129	124
Recoverable engineering and development costs	511	442
	-----	-----

Less: Inventoried costs related to contracts with progress billings	(987)	(925)
	-----	-----
Inventories	\$ 1,662	\$ 1,549
	=====	=====

</TABLE>

-8-

9

5. DISCONTINUED OPERATIONS

In November 1992, the Corporation announced the Plan that included exiting the financial services business through the disposition of its asset portfolios and the sale of other non-strategic businesses. The Plan provided for the sale of real estate and corporate finance portfolios over a three-year period and the run-off of the leasing portfolio over a longer period of time in accordance with contractual terms. Also, as part of the Plan, the Corporation was to divest the following other non-strategic operations: DCBU and WESCO; Knoll; and WCI. Financial Services, DCBU and WESCO have been accounted for as discontinued operations in accordance with APB 30.

In January 1994, the Corporation announced that the planned sale of WCI will be accelerated from 1995 into 1994 and Knoll is no longer for sale. With respect to Knoll, the Corporation's strategy will now be directed to create shareholder value by continuing to operate this business.

Since adoption of the Plan, the Corporation has made significant progress in disposing of Financial Services assets. Net portfolio investments have decreased from \$5,534 at November 30, 1992 to \$993 million at March 31, 1994, a decrease of \$4,541 million.

The Corporation completed the sale of DCBU, excluding its Australian subsidiary, to Eaton Corporation on January 31, 1994 for a purchase price of \$1.1 billion and the assumption by the buyer of certain liabilities. The Corporation completed the sale of the Australian subsidiary in March 1994.

The Corporation completed the sale of WESCO on February 28, 1994 to an affiliate of Clayton, Dubilier & Rice, Inc., a private investment firm, for a purchase price of approximately \$340 million.

A reserve for the estimated loss on the disposal of Discontinued Operations of \$1,383 million, established in November 1992, consisted of an addition to the valuation allowance for Financial Services portfolios, estimated future results of operations and sales proceeds to be obtained from Discontinued Operations, as well as estimates as to the timing of the divestitures and assumptions regarding other relevant factors.

In the fourth quarter of 1993, the Corporation recorded an additional provision for loss on disposal of Discontinued Operations of \$148 million on a pre-tax basis or \$95 million on an after-tax basis. This change in the estimated loss resulted from additional information, obtained through negotiation activity, regarding the expected selling prices of WESCO and the Australian subsidiary of DCBU. Also contributing to this provision was a decision to bulk sell a Financial Services residential

development that the Corporation, upon adoption of the Plan, had intended to transfer to WCI for development. These matters and a revision to the estimated interest costs expected to be incurred by the Discontinued Operations during the disposal period resulted in the additional fourth quarter provision.

The reserve for the estimated loss on the disposal of Discontinued Operations may require adjustment in future periods to reflect changes in any of the constituent elements, which may be affected by adverse economic, market or other factors beyond what was anticipated at March 31, 1994.

-9-

10

Management has considered all of the above factors and believes that the reserve for the estimated loss on disposal of Discontinued Operations should be adequate. The adequacy of this reserve is evaluated each quarter, and the actual experience and any changes in expectations will be considered in determining whether adjustment to the reserve is required.

<TABLE>

<CAPTION>

Operating Results of Discontinued Operations
(in millions) (unaudited)

	Financial Services -----	DCBU& WESCO* -----	Total -----
<S>	<C>	<C>	<C>
Three Months Ended March 31, 1994			
Sales of products and services	\$ 14	\$ 319	\$ 333
Net earnings (losses)	(69)	4	(65)
Three Months Ended March 31, 1993			
Sales of products and services	\$ 107	\$ 551	\$ 658
Net earnings (losses)	(52)	10	(42)

</TABLE>

*Operating results of Discontinued Operations for DCBU and WESCO for the three months ended March 31, 1994 includes the operating results of DCBU for the one month ended January 31, 1994 and the operating results of WESCO for the two months ended February 28, 1994, their respective dates of sale.

See Management's Discussion and Analysis - Results of Operations for additional information.

-10-

The assets and liabilities of Discontinued Operations have been separately classified in the condensed consolidated balance sheet as net liabilities of Discontinued Operations. A summary of these assets and liabilities follows:

NET LIABILITIES OF DISCONTINUED OPERATIONS

<TABLE>

<CAPTION>

(in millions)	March 31 1994 ----- (unaudited)	December 31 1993* -----
<S>	<C>	<C>
ASSETS:		
Cash and cash equivalents	\$ 377	\$ 611
Other current assets	12	742
Portfolio investments, net	993	1,127
Plant and equipment, net	4	360
Accrued estimated gain on sale of Discontinued Operations	-	441
Accrued operating income, net	-	19
Deferred income taxes	411	415
Other assets	255	375
	-----	-----
Total assets -- Discontinued Operations	2,052	4,090
	-----	-----
LIABILITIES:		
Short-term debt	700	2,373
Current maturities of long-term debt	770	774
Other current liabilities	36	338
Long-term debt	643	647
Other liabilities and accrued operating expenses	114	169
	-----	-----
Total liabilities and minority interest -- Discontinued Operations	2,263	4,301
	-----	-----
Net liabilities of Discontinued Operations	\$ 211	\$ 211
	=====	=====

</TABLE>

*Certain amounts have been reclassified for comparative purposes.

FINANCIAL SERVICES PORTFOLIO INVESTMENTS

Portfolio Investments by Category of Investment and Financing at March 31, 1994 and December 31, 1993 are summarized in the following table.

<TABLE>

<CAPTION>

At March 31, 1994

(in millions) (unaudited)	Real			Total
	Estate	Corporate	Leasing	
<S>	<C>	<C>	<C>	<C>
Receivables	\$ 37	\$ 23	\$ 945	\$1,005
Real estate properties	123	-	-	123
Investments in partnerships and other entities	222	1	39	262
Nonmarketable equity securities	-	15	-	15
Portfolio investments	382	39	984	1,405
Valuation allowance	(354)	(12)	(46)	(412)
Portfolio investments, net	\$ 28	\$ 27	\$ 938	\$ 993

</TABLE>

<TABLE>

<CAPTION>

At December 31, 1993

(in millions)	Real			Total
	Estate	Corporate	Leasing	
<S>	<C>	<C>	<C>	<C>
Receivables	\$ 46	\$ 47	\$ 969	\$1,062
Real estate properties	141	-	-	141
Investments in partnerships and other entities	212	82	39	333
Nonmarketable equity securities	-	15	-	15
Portfolio investments	399	144	1,008	1,551
Valuation allowance	(353)	(26)	(45)	(424)
Portfolio investments, net	\$ 46	\$ 118	\$ 963	\$1,127

</TABLE>

Leasing portfolio investments at March 31, 1994 included \$945 million of receivables and \$39 million of partnerships. Leasing receivables consist of direct financing and leveraged leases. At March 31, 1994, 78% of leasing receivables related to aircraft and 19% related to cogeneration facilities.

Certain leasing receivables classified as performing and totalling \$137 million at March 31, 1994 have been identified by management as potential problem receivables. Management believes that the characterization of receivables as potential problems is mitigated by the valuation allowance attributed to such receivables at March 31, 1994.

At March 31, 1994, the Corporation's leasing portfolio included approximately \$120 million of leasing receivables, primarily leveraged, related to aircraft leased by USAir, Inc., a major U.S. airline. Such leasing receivables were current as to payments and performing in accordance with contractual terms at March 31, 1994, and are not considered to be potential problem receivables.

13

Investments in partnerships were comprised primarily of the Corporation's investment in LW Real Estate Investments, L.P. (LW) which totalled \$133 million at March 31, 1994 and represented a 44% limited partnership interest. LW was formed in April 1993 and purchased over half of Financial Services commercial real estate assets in several transactions during the remainder of 1993. An affiliate of the investment banking firm, Lehman Brothers, is the general partner. Real estate properties were acquired through foreclosure proceedings or represent "in-substance" foreclosures and are being operated by Financial Services or contracted professional management until sold. Real estate receivables consist of loans for commercial and residential real estate properties and were comprised primarily of residential loans at March 31, 1994.

The Plan calls for the run-off of the leasing portfolio in accordance with contractual terms. Management expects a significant portion of the Corporation's investment in LW and any remaining real estate assets to be liquidated by the end of 1995. The remaining corporate assets are expected to be liquidated during the remainder of 1994.

Non-earning receivables at March 31, 1994 totalled \$41 million. There were no reduced earning receivables at March 31, 1994. The difference between the income for the first quarter of 1994 that would have been earned on non-earning receivables at March 31, 1994, and the income that was actually earned, was not significant.

Financial Services had issued various loan or investment commitments, guarantees, standby letters of credit and standby commitments. These commitments totalled \$97 million at March 31, 1994. Management expects the remaining commitments to either expire unfunded, be assumed by the purchaser in asset dispositions or be funded with the resulting assets being sold shortly after funding.

The following table is a reconciliation of the valuation allowance for portfolio investments for the three months ended March 31, 1994.

<TABLE>
 <CAPTION>
 VALUATION ALLOWANCE FOR PORTFOLIO INVESTMENTS
 (in millions) (unaudited)

	Beginning Balance -----	Portfolio Investments Written Off -----	Ending Balance -----	Percent of Portfolio Investments -----
<S>	<C>	<C>	<C>	<C>
Category of Financing:				
Real estate	\$ 353	\$ 1	\$ 354	92.6%
Corporate	26	(14)	12	29.5%
Leasing	45	1	46	4.7%
	-----	-----	-----	
Total	\$ 424	\$ (12)	\$ 412	29.4%
	=====	=====	=====	

</TABLE>

During the first quarter of 1994, portfolio investments written off represented 0.8% of average outstanding portfolio investments. Investments written off during the first quarter of 1994 usually resulted from the disposition of the

14

6. CONTINGENT LIABILITIES AND COMMITMENTS

URANIUM SETTLEMENTS

The Corporation had previously provided for all estimated future costs associated with the resolution of all uranium supply contract suits and related litigation. The remaining uranium reserve balance includes uranium settlement assets and reserves for estimated future costs. The remaining balance at March 31, 1994, is deemed adequate considering all facts and circumstances known to management. The future obligations require providing specific quantities of uranium and products and services over a period extending beyond the year 2010. Variances from estimates which may occur will be considered in determining if an adjustment of the liability is necessary.

LITIGATION

Republic of the Philippines and National Power Corporation

In December 1988, the Republic of the Philippines (Philippines) and National Power Corporation of the Philippines (NPC) (collectively, the Republic) filed a 15 count lawsuit in the United States District Court (USDC) for the District of New Jersey against the Corporation in connection with the construction of a nuclear power plant in the Philippines. In 1989, the USDC stayed substantially all of the complaint pending arbitration by the International Chamber of Commerce (ICC) in Geneva, Switzerland. The USDC did not grant a stay with respect to the one count in the complaint alleging intentional interference with a fiduciary relationship. A jury verdict with respect to this count was rendered in favor of the Corporation on May 18, 1993. The Republic has stated its intention to appeal this verdict.

The Philippines and NPC challenged the jurisdiction of the ICC, claiming the contract was invalid due to the alleged bribery in the procurement of the contract. In December 1991, the ICC arbitration panel issued an award finding that the NPC had failed to carry its burden of proving an alleged bribery by the Corporation. The panel thereby concluded that the arbitration clauses and the contracts were valid and the panel had jurisdiction over the disputes remaining before it with respect to NPC. The panel concluded that it did not have jurisdiction over the Philippines. NPC, in an attempt to attack the ICC decision regarding jurisdiction and contract validity, filed an action for annulment with the Swiss Federal Supreme Court which was not successful. Arbitration with respect to the remaining disputes before the ICC is ongoing.

Steam Generators

At present, there are six pending actions brought by utilities claiming a substantial amount of damages in connection with alleged tube degradation in steam generators sold by the Corporation as components for nuclear steam supply systems. One previous action which was pending in 1993 was resolved in the first quarter through a settlement with the

utility. Westinghouse is also a party to six agreements with utilities or utility plant owners' groups which toll the statute of limitations regarding their steam generator tube degradation claims and permit the parties time to engage in discussions. The parties have agreed that no litigation will be initiated for an agreed upon period of time as set forth in the respective tolling agreements. The term of each tolling agreement varies. Westinghouse has notified its insurance carriers of the pending steam generator actions and claims. While some of the carriers have denied coverage in whole or in part, most have reserved their rights with respect to obligations to defend and indemnify the Corporation. The coverage is the subject of litigation between the Corporation and these carriers.

Securities Class Actions--Financial Services

The Corporation has been defending a consolidated class action, a consolidated derivative action and certain individual lawsuits brought against the Corporation, WFSI and WCC, both previously subsidiaries of the Corporation, and/or certain present and former directors and officers of the Corporation, as well as other unrelated parties. Together, these actions allege various federal securities law and common law violations arising out of alleged misstatements or omissions contained in the Corporation's public filings concerning the financial condition of the Corporation, WFSI and WCC in connection with a \$975 million charge to earnings announced on February 27, 1991, a public offering of Westinghouse common stock in May 1991, a \$1,680 million charge to earnings announced on October 7, 1991, and alleged misrepresentations regarding the adequacy of internal controls at the Corporation, WFSI and WCC.

Litigation is inherently uncertain and always difficult to predict. Substantial damages are sought in each of the foregoing cases and although management believes a significant adverse judgment is unlikely, any such judgment could have a material adverse effect upon the Corporation's results of operations for a quarter or a year. However, based on its understanding and evaluation of the relevant facts and circumstances, management believes the Corporation has

-14-

15

meritorious defenses to the litigation described above and management believes that the litigation should not have a material adverse effect on the financial condition of the Corporation.

ENVIRONMENTAL MATTERS

Compliance with federal, state and local regulations relating to the discharge of substances into the environment, the disposal of hazardous wastes and other related activities affecting the environment have had and will continue to have an impact on the Corporation. While it is difficult to estimate the timing and ultimate costs to be incurred in the future due to uncertainties about the status of laws, regulations, technology and information available for individual sites, management estimates the total probable and reasonably possible remediation costs that could be incurred by the Corporation based on the facts and circumstances currently known. Such estimates include the Corporation's experience to date with investigating and evaluating site cleanup costs, the professional judgment of the Corporation's environmental experts, outside environmental specialists and other experts and, when necessary, counsel. In addition, the likelihood that other parties which have been named as potentially responsible parties (PRPs) will have the financial resources to fulfill

their obligations at Superfund sites where they and the Corporation may be jointly and severally liable has been considered. These estimates have been used to assess materiality for financial statement disclosure purposes as follows.

PRP Sites

With regard to remedial actions under federal and state superfund laws, the Corporation has been named as a PRP at numerous sites located throughout the country. At many of these sites, the Corporation is either not a responsible party or its site involvement is very limited or de minimus. However, the Corporation may have varying degrees of cleanup responsibilities at 52 of these sites, excluding those discussed in the preceding sentence. With regard to cleanup costs at these sites, in many cases the Corporation will share these costs with other responsible parties and the Corporation believes that any liability incurred will be satisfied over a number of years. Management believes the total remaining probable costs which the Corporation could incur for remediation of these sites as of March 31, 1994 are approximately \$63 million, all of which has been accrued. These remediation actions are expected to occur over a period of several years. As the remediation activities progress, additional information may be obtained which may require additional investigations or an expansion of the remediation activities. This may result in an increase in site remediation costs; however, until such time as additional requirements are identified during the remediation process, the Corporation is unable to reasonably estimate what those costs might be.

Bloomington Consent Decree

The Corporation is a party to a 1985 Consent Decree relating to remediation of six sites in Bloomington, Indiana. The Corporation has additional responsibility for two other sites in Bloomington not included as part of the Consent Decree. In the Consent Decree, the Corporation agreed to construct and operate an incinerator, which would be permitted under federal and state law to burn excavated materials. The incinerator would also burn municipal solid waste provided by the City of Bloomington (City) and Monroe County. Applications for permits to build an incinerator are pending with the United States Environmental Protection Agency, the State of Indiana and other local permitting agencies. There is continuing community opposition to the construction of the incinerator and the State of Indiana has enacted legislation that has resulted in indefinite delays in granting permits. As a result, the parties to the Consent Decree have met several times on a cooperative basis and have decided to explore whether alternative remedial measures should be used to replace the incineration remedy set forth in the Consent Decree. On February 8, 1994 the parties filed a status report with the United States District Court for the Southern District of Indiana, which is responsible for overseeing the implementation of the Consent Decree. This report advised the court of the parties' intention to investigate alternatives and provided the court with operating principles for this process. It is the goal of the parties to reach a consensus on an alternative which is acceptable to all parties and to the Bloomington public. However, the parties recognize that at the end of the process they may conclude that the remedy currently provided in the Consent Decree is the most appropriate. The parties also recognize that the Consent Decree shall remain in full force during this process. These actions have resulted in the Corporation's belief that it no longer is probable that the Consent Decree will be implemented under its present terms. The Corporation and the other parties may have claims against each other under the Consent Decree if a mutually agreeable alternative is not reached. The Corporation may be required to post security for 125% of the net cost to complete remediation in the event certain requirements of the

Consent Decree are not met. The Corporation believes it has met all of these requirements.

If necessary permits were to be granted and the Consent Decree fully implemented in its present form, the Corporation estimates that its total remaining cost would be approximately \$300 million at March 31, 1994. As part of the Consent Decree, and in addition to burning contaminated materials, the incinerator would also be used to burn municipal solid waste and generate electricity which would be purchased by various public utilities. The Corporation would receive revenues from

-15-

16

tipping fees and sale of electricity which are estimated to be approximately \$210 million. The Consent Decree also provides the City with an option to purchase the incinerator after the remediation is completed. The Corporation has assumed that proceeds from the sale of the incinerator would be in the range of \$100 million to \$160 million. Based on the above estimates, the Corporation continues to believe that the ultimate net cost of the environmental remediation under the present terms of the Consent Decree would not result in a material adverse effect on its future financial condition or results of operations.

However, because the Corporation believes it is probable the Consent Decree will be modified to an alternate remediation action, the Corporation estimates that its cost to implement the most reasonable and likely alternative would be approximately \$60 million, all of which has been accrued. Approximately \$16 million of this estimate represents operating and maintenance costs which will be incurred over an approximate 30 year period. These costs are expected to be distributed equally over this period and, based on the Corporation's experience with similar operating and maintenance costs, have been determined to be reliably determinable on a year-to-year basis. Accordingly, the estimated \$44 million gross cost of operating and maintenance has been discounted at a rate of 5% per year which results in the above described \$16 million charge. The remaining portion of the \$60 million charge represents site construction and other related costs and is valued as of the year of expenditure. Analyses of internal experts and outside consultants have been used in forecasting construction and other related costs. The estimates of future period costs include an assumed inflation rate of 5% per year. This estimate of \$60 million is within a range of reasonably possible alternatives and one which the Corporation believes to be the most likely outcome. This alternative includes a combination of containment, treatment, remediation and monitoring. Other alternatives, while considered less likely, could cause such costs to be as much as \$100 million.

Other Sites

The Corporation is involved with several administrative actions alleging violations of federal, state or local environmental regulations. For these matters the Corporation has estimated that its potential total remaining reasonably possible costs are insignificant.

The Corporation currently manages under contract several government-owned facilities, which among other things are engaged in the remediation of hazardous and nuclear wastes. To date, under the terms of the contracts, the Corporation is not responsible for costs associated with environmental liabilities, including environmental cleanup costs, except under certain circumstances associated with negligence and willful

misconduct. There are currently no known claims for which the Corporation believes it is responsible. In 1994, the U.S. Department of Energy (DoE) announced its intention to renegotiate its existing contracts for maintenance and operation of DoE facilities to address environmental issues.

The Corporation has or will have responsibilities for environmental remediation such as dismantling incinerators, decommissioning nuclear licensed sites, and other similar commitments at various sites. The Corporation has estimated total potential cost to be incurred for these actions to be approximately \$133 million, of which \$37 million had been accrued at March 31, 1994. The Corporation's policy is to accrue these costs over the estimated lives of the individual facilities which in most cases is approximately 20 years. The anticipated annual costs currently being accrued are \$6 million.

As part of the agreement for the sale of DCBU to Eaton Corporation, the Corporation agreed to a cost sharing arrangement if future, but as yet unidentified, remediation is required as a result of any contamination caused during the Corporation's operation of DCBU prior to its sale. Under the terms of the agreement, the Corporation's share of any such environmental remediation costs, on an annual basis, will be at the rate of \$2.5 million of the first \$6 million expended, and 100% of such costs in excess of \$6 million. The Corporation has provided for all known environmental liabilities related to DCBU. These estimated costs and related reserves are included in the discussion above of PRP sites. Environmental liabilities related to the sale of WESCO are insignificant.

Capital Expenditures

Management believes that the total estimated capital expenditures related to current operations necessary to comply with present governmental regulations will not have a material adverse effect on capital resources, liquidity, financial condition and results of operations.

Insurance Recoveries

In 1987, the Corporation filed an action in New Jersey against over 100 insurance companies seeking recovery for these and other environmental liabilities and litigation involving personal injury and property damage. The Corporation has received certain recoveries from insurance companies related to environmental costs. The Corporation has not accrued for any future insurance recoveries.

Based on the above discussion and including all information presently known to the Corporation, management believes that the environmental matters described above will not have a material adverse effect on the Corporation's capital resources, liquidity, financial condition and results of operations.

-16-

17

FINANCING COMMITMENTS -- DISCONTINUED OPERATIONS

Financial Services commitments with off-balance-sheet credit risk represent financing commitments to provide funds, including loan or investment commitments, guarantees, standby letters of credit and standby

commitments, generally in exchange for fees. The remaining commitments have fixed expiration dates from 1994 through 2002.

At March 31, 1994, Financial Services commitments with off-balance sheet credit risk totalled \$97 million compared to \$111 million at year-end 1993. Of the \$97 million of commitments at March 31, 1994, \$86 million were guarantees, credit enhancements and other standby agreements, and \$11 million were commitments to extend credit. Of the \$111 million of commitments at year-end 1993, \$90 million were guarantees, credit enhancements and other standby agreements and \$21 million were commitments to extend credit. Management expects the remaining commitments to either expire unfunded, be assumed by the purchaser in asset dispositions or be funded with the resulting assets being sold shortly after funding.

FINANCING COMMITMENTS -- CONTINUING OPERATIONS

During 1993, \$76 million of guarantees were transferred from Financial Services to Continuing Operations. These guarantees were issued primarily to improve the salability of securities of Financial Services corporate customers and are collateralized by the assets of the customer. Management does not expect the Corporation to be required to fund these guarantees.

WCI was contingently liable at March 31, 1994 under guarantees for \$60 million of sewer and water district borrowings. The proceeds of the borrowings were used for sewer and water improvements on residential and commercial real estate projects of WCI. Management expects these borrowings to be repaid as the projects are completed and sold, and the guarantees for such borrowings to expire unfunded.

OTHER COMMITMENTS

The Corporation's other commitments consisting primarily of those for the purchase of plant and equipment are not material.

-17-

18

7. SHAREHOLDERS' EQUITY

In March 1994, the Corporation sold, in a private placement, 36,000,000 depositary shares at \$14.44 per share. Each of the depositary shares represents ownership of one-tenth of a share of the Corporation's \$1 par value Series C Conversion Preferred Stock (C Preferred) and entitles the owner to all of the proportionate rights, preferences and privileges of the C Preferred.

The net proceeds to the Corporation, after commissions, fees, and out-of-pocket expenses, totalled \$505 million which was used to reduce short-term debt. As a result of the transaction, par value of C Preferred was established for \$4 million, and capital in excess of par was increased by \$501 million.

The C Preferred shares were treated as a common stock equivalent for the calculation of earnings per share for the first quarter of 1994.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

Orders entered for the first quarter of 1994 were down \$192 million from the first quarter of 1993. The first quarter of 1993 included several large orders in Electronic Systems and Power Generation. Backlog was up \$114 million in the first quarter of 1994 compared to the same period last year.

Sales of products and services and operating profit were down \$277 million and \$81 million, respectively, for the first quarter of 1994 compared to the same period of last year.

Income from Continuing Operations was \$36 million for the first quarter of 1994, compared to \$59 million for the first quarter of 1993. The Corporation had net income of \$36 million for the first quarter of 1994, compared to \$3 million for the same period in 1993. Included in net income for the first quarter of 1994 was a gain of \$32 million from the sale of two Sacramento radio stations. The first quarter 1993 net income included a \$56 million after-tax charge for the cumulative effect of a change in accounting for postemployment benefits (SFAS No. 112). See Part I, Item 1, note 3 of this report.

Earnings per share were \$.07 for the first quarter of 1994 compared to a loss of \$.02 for the first quarter of 1993. Earnings per share for the first quarter of 1994 were all from Continuing Operations.

The loss per share for the first quarter of 1993 included earnings of \$.14 per share from Continuing Operations and a charge of \$.16 per share from the cumulative effect of a change in accounting for postemployment benefits, or a net loss of \$.02 per share.

-18-

19

In March 1994, the Corporation sold, in a private placement, 36,000,000 depositary shares, representing 3,600,000 shares of its \$1 par value Series C Conversion Preferred Stock (C Preferred). See Liquidity and Capital Resources - Overview. The C Preferred was treated as a common stock equivalent in the calculation of earnings per share for the first quarter of 1994.

In June 1992, the Corporation sold 32,890,000 depositary shares, representing 8,222,500 shares of the Corporation's \$1 par value Series B Conversion Preferred Stock (B Preferred). The B Preferred was treated as preferred stock in the calculation of earnings per share for the first quarters of 1993 and 1994.

On January 11, 1994, the Corporation announced a charge totalling \$350 million for restructuring of its continuing businesses, which included costs directly related to employment reductions which are comprised of approximately \$225 million related to separation costs for 3,400 employees, approximately \$35 million associated with asset writedowns, and approximately \$45 million for facility closedown and rationalization costs. The remaining portion of the \$350 million charge was approximately \$45 million related to process and product redesign or reengineering. The Corporation anticipated that actions resulting from implementation of its restructuring plan, directed to improving productivity and operating performance, would result in the reduction of approximately 6,000 employees, which includes the previously-discussed 3,400 separations and an additional 2,600 reductions expected to result from normal

attrition. Through the end of March 1994, employee reductions as a result of implementing the restructuring plan totalled 1,100 employees. The 3,400 employee separations that were included as part of the restructuring charge are expected to result in annual pre-tax savings of approximately \$100 million primarily through reduced employment costs. A substantial portion of this annual savings is expected to be realized in 1994 and approximately \$300 million over the three-year period ending December 31, 1996. Additional savings will be realized as the anticipated reductions resulting from normal attritions occur over the next two years. Total cash expenditures for restructuring through 1996 are expected to approximate \$270 million with expenditures of approximately \$180 million in 1994, \$55 million in 1995 and \$35 million in 1996. During the first quarter of 1994, charges against the reserve totalled \$85 million and consisted primarily of asset writedowns and employee separation costs. Cash expenditures for restructuring during the first quarter of 1994 totalled \$14 million.

Also on January 11, 1994, the Corporation announced plans to dispose of certain non-strategic businesses including parts of the former Environmental Services business unit and certain businesses in the Industrial Products and Services business unit and recorded a \$215 million charge during the fourth quarter of 1993. This charge included all associated costs anticipated to be incurred in disposing of these businesses, including estimates for the cost of certain possible environmental remediation which may result from the selling process. Estimated sales proceeds for these businesses of approximately \$175 million were determined from various sources, including offers contained in bona fide letters of interest received from third parties, estimates from investment banking firms retained by the Corporation or certain internal sources. Also included in the \$215 million charge is approximately \$20 million for the writedown of certain assets related to discontinued projects. In May 1994, the Corporation completed the sale of Controlmatic, which has

-19-

20

principal operations in Germany, Switzerland, Austria and Italy. The Corporation continues to pursue the disposition of the remaining non-strategic businesses. Through March 1994, charges against the reserve for disposition totalled \$20 million.

In November 1992, the Corporation announced a plan (the Plan) that included exiting the financial services business through the disposition of its asset portfolios and the sale of other non-strategic businesses. The Plan provided for the sale of real estate and corporate finance portfolios over a three-year period and the run-off of the leasing portfolio over a longer period of time in accordance with contractual terms. Also, as part of the Plan, the Corporation was to divest the following other non-strategic operations: Distribution and Control Business Unit (DCBU); Westinghouse Electric Supply Company (WESCO); The Knoll Group (Knoll); and WCI Communities, Inc. (WCI). Financial Services, DCBU and WESCO have been accounted for as discontinued operations in accordance with APB 30.

In January 1994, the Corporation announced that the planned sale of WCI will be accelerated from 1995 into 1994 and Knoll is no longer for sale. With respect to Knoll, the Corporation's strategy will now be directed to create shareholder value by continuing to operate this business. WCI will continue to be reported as part of Continuing Operations until the requirements of APB 30 are met. At that time, WCI will be classified as a discontinued operation and appropriate restatements will be made to the Corporation's financial statements.

Since adoption of the Plan, the Corporation has made significant progress in disposing of Financial Services assets. Net portfolio investments have decreased from \$5,534 million at November 30, 1992 to \$993 million at March 31, 1994, a decrease of \$4,541 million.

The Corporation completed the sale of DCBU, excluding its Australian subsidiary, to Eaton Corporation on January 31, 1994 for a purchase price of \$1.1 billion and the assumption by the buyer of certain liabilities. The Corporation completed the sale of the Australian subsidiary in March 1994.

The Corporation completed the sale of WESCO on February 28, 1994 to an affiliate of Clayton, Dubilier & Rice, Inc., a private investment firm, for a purchase price of approximately \$340 million.

The reserve for the estimated loss on the disposal of Discontinued Operations of \$1,383 million, established in November 1992, consisted of an addition to the valuation allowance for Financial Services portfolios, estimated future results of operations and sales proceeds to be obtained from Discontinued Operations, as well as estimates as to the timing of the divestitures and assumptions regarding other relevant factors.

In the fourth quarter of 1993, the Corporation recorded an additional provision for loss on disposal of Discontinued Operations of \$148 million on a pre-tax basis or \$95 million on an after-tax basis. This change in the estimated loss resulted from additional information, obtained through negotiation activity, regarding the expected selling prices of WESCO and the Australian subsidiary of DCBU. Also contributing to this provision was a

-20-

21

decision to bulk sell a Financial Services residential development that the Corporation, upon adoption of the Plan, had intended to transfer to WCI for development. These matters and a revision to the estimated interest costs expected to be incurred by the Discontinued Operations during the disposal period resulted in the additional fourth quarter provision.

The reserve for the estimated loss on the disposal of Discontinued Operations may require adjustment in future periods to reflect changes in any of the constituent elements, which may be affected by adverse economic, market or other factors beyond what was anticipated at March 31, 1994.

Management believes that the reserve for the estimated loss on disposal of Discontinued Operations should be adequate. The adequacy of this reserve is evaluated each quarter, and the actual experience and any changes in expectations will be considered in determining whether adjustment to the reserve is required.

RESULTS OF OPERATIONS

Continuing Operations

- - - - -

The Corporation's Continuing Operations have been realigned so that each core business is now reported as a separate segment. As a result, the former Power Systems segment will be replaced by separate segments for Energy Systems and Power Generation and the former Industries segment will be replaced by separate segments for Thermo King and Other Businesses. Other Businesses

includes those businesses that have been identified for sale - the Industrial Products and Services business unit, Resource Energy Systems and Controlmatic. Resource Energy Systems and Controlmatic were formerly part of the Government and Environmental Services segment. Westinghouse Communications has been transferred to the Broadcasting segment.

-21-

22

Segment Results

(in millions) (unaudited)

<TABLE>
<CAPTION>

	Three Months Ended		% Change
	March 31 1994 ----	1993 ----	
<S>	<C>	<C>	<C>
Broadcasting			
Orders	\$ 190.5	\$ 178.7	6.6%
Backlog	-	-	-
Sales	190.5	178.7	6.6%
Operating Profit (Loss)	33.7	26.5	27.2%
Operating Profit Margin	17.7%	14.8%	N/A
Electronic Systems			
Orders	\$ 386.9	\$ 628.6	-38.5%
Backlog	3,773.8	3,963.8	-4.8%
Sales	449.9	596.0	-24.5%
Operating Profit (Loss)	39.4	52.0	-24.2%
Operating Profit Margin	8.8%	8.7%	N/A
Government and Environmental Services			
Orders	\$ 67.6	\$ 63.2	7.0%
Backlog	86.3	36.5	136.4%
Sales	83.8	76.5	9.5%
Operating Profit (Loss)	10.0	19.7	-49.2%
Operating Profit Margin	11.9%	25.8%	N/A
Thermo King			
Orders	\$ 248.0	\$ 223.0	11.2%
Backlog	223.2	173.8	28.4%
Sales	186.8	174.6	7.0%
Operating Profit (Loss)	26.8	25.7	4.3%
Operating Profit Margin	14.3%	14.7%	N/A
Energy Systems			
Orders	\$ 368.3	\$ 293.2	25.6%
Backlog	2,682.1	2,470.3	8.6%
Sales	236.0	314.6	-25.0%
Operating Profit (Loss)	(8.3)	46.8	-117.7%
Operating Profit Margin	-3.5%	14.9%	N/A

Power Generation			
Orders	\$ 463.2	\$ 547.2	-15.4%
Backlog	2,185.5	2,161.0	1.1%
Sales	291.6	388.9	-25.0%
Operating Profit (Loss)	(25.9)	(23.1)	-12.1%
Operating Profit Margin	-8.9%	-5.9%	N/A

-22-

23

<TABLE>

<CAPTION>

	Three Months Ended		
	March 31		
	1994	1993	% Change
	----	----	-----
<S>	<C>	<C>	<C>
Knoll			
Orders	\$ 117.3	\$ 117.1	0.2%
Backlog	104.3	95.5	9.2%
Sales	117.5	119.2	-1.4%
Operating Profit (Loss)	(15.0)	(10.2)	-47.1%
Operating Profit Margin	-12.8%	-8.6%	N/A
WCI			
Orders	\$ 56.2	\$ 43.9	28.0%
Backlog	-	-	-
Sales	56.2	43.9	28.0%
Operating Profit (Loss)	12.9	10.8	19.4%
Operating Profit Margin	23.0%	24.6%	N/A
Other Businesses			
Orders	\$ 128.3	\$ 132.1	-2.9%
Backlog	758.9	805.3	-5.8%
Sales	130.5	129.8	0.5%
Operating Profit (Loss)	(13.1)	(1.6)	N/A
Operating Profit Margin	-10.0%	-1.2%	N/A
Corporate and Other			
Orders	\$ 25.4	\$ 18.5	37.3%
Backlog	73.7	52.1	41.5%
Sales	34.5	33.5	3.0%
Operating Profit (Loss)	4.9	(0.3)	N/A
Operating Profit Margin	14.2%	-0.9%	N/A
Intersegment			
Orders	\$ (38.0)	\$ (40.2)	5.5%
Backlog	(33.4)	(18.0)	-85.6%
Sales	(34.6)	(36.3)	4.7%
Total - Continuing Operations			
Orders	\$2,013.7	\$ 2,205.3	-8.7%
Backlog	9,854.4	9,740.3	1.2%
Sales	1,742.7	2,019.5	-13.7%
Operating Profit (Loss)	65.4	146.3	-55.3%
Operating Profit Margin	3.7%	7.2%	N/A

Broadcasting

Broadcasting's sales and operating profits were up \$12 million and \$7 million, respectively, in the first quarter compared to the same period of 1993. Television benefited from increased advertising demand, revenues from the Winter Olympics, improving performance on the West Coast and cost reductions. Radio's sales were down slightly in the first quarter of 1994 compared to 1993 due to fewer radio stations in the portfolio during the first quarter of 1994. Radio's operating profit was up substantially

-23-

24

as revenues for the radio stations remaining in the portfolio were up and cost reductions continue to benefit performance. Westinghouse Communications had strong revenue and operating profit growth due to the continued expansion of its customer base.

Electronic Systems

Orders and backlog for Electronic Systems were down \$242 million and \$190 million, respectively, in the first quarter of 1994 compared to 1993. Orders for the first quarter of 1993 included a significant order for \$240 million for an international defense system.

Sales declined by \$146 million and operating profit declined \$13 million primarily due to lower sales on Department of Defense (DoD) contracts in 1994 and the favorable effect in 1993 of sales from the cancellation of the Airborne Self-Protection Jammer program.

Electronic Systems business is influenced by changes in the budgetary plans and procurement policies of the U.S. government. Reductions in defense spending and program cancellations in recent years have adversely affected and are likely to continue to adversely affect the results of this segment. DoD revenues are expected to be lower in 1994 than in 1993.

Government and Environmental Services

Orders were up \$4 million in the first quarter of 1994 compared to the first quarter of 1993 primarily due to additional state and federal government remediation orders and orders resulting from the addition of a new facility to recycle radioactive metals. Backlog was up \$50 million mainly due to the addition to the backlog in the second half of 1993 of a \$40 million order for special material handling containers which will be liquidated over the next several years and additional state and federal government remediation orders throughout 1993 and 1994.

Sales were up \$7 million for the first quarter of 1994 compared with the same period last year. Operating profits were down \$10 million for the same period as higher prices in the backlog for hazardous waste incineration in 1993, continued weakness in the remediation services market and price pressure in hazardous waste incineration contributed to lower margins.

Thermo King

Orders and backlog were up \$25 million and \$49 million, respectively, in the first quarter of 1994 compared to the first quarter of 1993 reflecting a strong North American truck and trailer market and improvements in European orders.

Sales were up \$12 million and operating profit increased about \$1 million for the quarter due to higher sales in the truck and trailer operations and service parts.

-24-

25

Energy Systems

Orders were up \$75 million and backlog was up \$212 million for the first quarter of 1994 compared to the first quarter of 1993. The increase in orders was primarily due to international growth initiatives.

Sales and operating profit for Energy Systems were down \$79 million and \$55 million, respectively, in the first quarter of 1994 compared to the same period of last year due primarily to decreased licensee income and the favorable effect of a change in accounting for nuclear fuel revenues in 1993.

Power Generation

Orders were down \$84 million and backlog was up \$25 million in the first quarter of 1994 compared to the first quarter of 1993. The first quarter of 1993 included a concentration of several large project orders.

Sales declined \$97 million and operating losses increased by \$3 million primarily due to lower project sales, lower volume in service and combustion turbine new apparatus manufacturing partially offset by cost reductions.

Knoll

Orders for the first quarter of 1994 were flat compared to the first quarter of 1993 while backlog was up \$9 million due primarily to the addition in 1993 of several large orders with longer term shipping schedules.

Sales were down \$2 million and operating loss increased by \$5 million in the first quarter of 1994 compared to the same period last year. Increased marketing and sales expense associated with the launch of new products and the increased distribution efforts, along with continued weakness in the European market were the primary contributors to the decreases.

WCI

Sales and operating profit in the first quarter of 1994 were up by \$12 million and \$2 million, respectively, compared to the first quarter of 1993 primarily due to the continued strong South Florida market.

Other Businesses

Orders and backlog were down \$4 million and \$46 million, respectively, in the

first quarter of 1994 compared to the same period in 1993. The reduction in backlog is primarily due to a liquidation of Resource Energy Systems backlog as current period sales are recognized and no new project orders are entered.

Sales were flat and the operating loss increased by \$12 million due to lower margins for Resource Energy Systems, Controlmatic and Westinghouse Motor Company.

-25-

26

Discontinued Operations

Financial Services

Financial Services revenues for the first quarter of 1994 were significantly lower than for the same period of last year. The decrease in revenue reflects a substantial reduction of portfolio investments through asset dispositions.

At March 31, 1994, Financial Services portfolio investments totalled \$1,405 million and included the Corporation's leasing portfolio and the remaining real estate and corporate assets. The Plan calls for the run-off of the leasing portfolio in accordance with contractual terms. The remaining real estate assets are primarily comprised of the Corporation's investment in LW Real Estate Investments, L.P. (LW). Management expects its investment in LW and any remaining real estate assets to be liquidated by the end of 1995. Management expects the remaining corporate assets to be liquidated during 1994.

During the first quarter of 1994 Financial Services disposed of portfolio investments for approximately \$133 million in cash. The cash proceeds from asset sales were primarily used to reduce debt of Discontinued Operations.

Financial Services had issued various loan or investment commitments, guarantees, standby letters of credit and standby commitments. These commitments totalled \$97 million at March 31, 1994. The Corporation's efforts to reduce assets and debt were negatively impacted by these commitments. However, management expects the remaining commitments to either expire unfunded, be assumed by the purchaser in asset dispositions or be funded with the resulting assets being sold shortly after funding.

Certain leasing receivables classified as performing and totalling \$137 million at March 31, 1994, have been identified by management as potential problem receivables. Management believes that the characterization of such receivables as potential problems is mitigated by the valuation allowance attributed to such receivables at March 31, 1994.

At March 31, 1994, the Corporation's leasing portfolio included approximately \$120 million of leasing receivables, primarily leveraged, related to aircraft leased by USAir, Inc., a major U.S. airline. Such leasing receivables were current as to payments and performing in accordance with contractual terms at March 31, 1994, and are not considered to be potential problem receivables.

-26-

Overview

- - - - -

The Corporation's liquidity has improved through the disposition of Financial Services assets ahead of schedule, the sale of DCBU and WESCO, and a \$520 million preferred stock offering. Management believes that the net proceeds anticipated from the continued disposition of assets of Discontinued Operations, WCI and certain identified non-strategic businesses, as well as cash flow from Discontinued Operations until sold, will be sufficient but not in excess of the liquidity required to fund Discontinued Operations, including the repayment of its debt. Other sources of liquidity generally available to the Corporation include available levels of cash and cash equivalents, unused borrowing capacity under the Corporation's revolving credit facility, cash flow from the operations of Continuing Operations and borrowings from other sources, including funds from the capital markets, subject to then existing market conditions and other considerations.

Significant progress was made during the first quarter of 1994 in reducing the Corporation's net debt (total debt less cash and cash equivalents). Net debt at March 31, 1994 totalled \$3,321 million, a reduction of \$1,781 million from \$5,102 million at December 31, 1993. The principal sources of cash for this reduction were the sale of DCBU and WESCO for total cash proceeds of approximately \$1.4 billion as discussed below, the issuance of approximately \$520 million of the Corporation's C Preferred with net proceeds of \$505 million, and the sale of Financial Services assets during the first quarter of 1994 for approximately \$133 million.

During March 1994, the Corporation sold, in a private placement pursuant to Rule 144A of the Securities Act of 1933, 36,000,000 depositary shares, representing 3,600,000 shares of C Preferred. Each depositary share will automatically convert into one share of common stock on June 1, 1997, unless called on May 30, 1997 by the Corporation or redeemed at any time prior to June 1 by the holder. If called by the Corporation, each depositary share will convert into common stock at a rate between .885 and 1 share. If redeemed by the holder, each depositary share will convert into .885 of a share of common stock. The stock carries an annual dividend of \$1.30 per depositary share or \$13.00 per C Preferred payable on the same quarterly schedule as the Corporation's common stock dividend. Dividends are cumulative and must be declared by the Board of Directors to be payable. Net proceeds from the offering totalled \$505 million and were used to reduce short-term debt.

The Corporation completed the sale of DCBU, excluding its Australian subsidiary, to Eaton Corporation on January 31, 1994, for a purchase price of \$1.1 billion. The proceeds were used primarily to reduce debt of Discontinued Operations.

-27-

The Corporation completed the sale of WESCO on February 28, 1994 to an affiliate of Clayton, Dubilier & Rice, Inc., a private investment firm, for approximately \$340 million. The proceeds of approximately \$340 million were comprised of approximately \$275 million in cash, approximately \$50 million in first mortgage notes and the remainder in stock and options in the new company. Cash proceeds were used primarily to reduce debt of Discontinued Operations.

On August 26, 1992, Westinghouse filed a registration statement on Form S-3 for the issuance of up to \$1 billion of Westinghouse debt securities. At March 31, 1994, \$400 million of this shelf registration was unused.

Prior to the adoption of the Plan, Financial Services entered into interest rate and currency exchange agreements to manage the interest rate and currency risk associated with various debt instruments. No transactions were speculative in nature or leveraged. Given their nature, these agreements have been accounted for as hedging transactions. At March 31, 1994, the notional amount of interest rate and currency exchange agreements outstanding totalled approximately \$1.3 billion with an average remaining maturity of 1.3 years.

The Corporation's foreign exchange exposure policy includes selling in national currencies where possible, and hedging those transactions in excess of \$250,000 occurring in currencies other than those of the originating country. In addition, the Corporation's accounting policies require translation of local currency financial statements of subsidiaries in highly inflationary and unstable economies into U.S. dollars in accordance with Statement of Financial Accounting Standards (SFAS) No. 52, "Foreign Currency Translation," in order to minimize foreign exchange rate risks and provide for appropriate accounting treatment where exchange rates are most volatile.

With respect to the Corporation's operations in highly inflationary and unstable economies that are accounted for in accordance with SFAS No. 52, the combined total sales for those operations were less than 0.5% of the Corporation's sales for the first three months of 1994. Any translation adjustments resulting from converting the local currency balance sheets and income statements of designated hyperinflationary subsidiaries into U.S. dollars are recorded as period costs in accordance with SFAS No. 52.

Revolving Credit Facility

In December 1991, the Corporation entered into a \$6 billion revolving credit agreement (revolver) with a syndicate of domestic and international banks. This facility expires in December 1994. The revolver is available for use by the Corporation subject to the maintenance of certain financial ratios and compliance with other covenants and subject to there being no material adverse change with respect to the Corporation taken as a whole. Among other things, the covenants place restrictions on the incurrence of liens, the amount of debt on a consolidated basis and at the subsidiary level, and the amount of contingent liabilities. The covenants also require the maintenance of a maximum leverage ratio, minimum interest coverage ratios and a minimum consolidated net worth. Certain of the

-28-

29

covenants become more restrictive over the term of the revolver. At March 31, 1994, the Corporation was in compliance with these covenants. See Financing Activities for a discussion of interest costs and fees related to this facility.

The borrowing status of this facility at March 31, 1994 and December 31, 1993 is presented in the following table.

Borrowing Status of Revolving Credit Facility (in millions)

<TABLE>
<CAPTION>

	At March 31, 1994	At December 31, 1993
	-----	-----
<S>	<C>	<C>
Commitment Level	\$ 3,000	\$ 4,000
Borrowings	(700)	(2,855)
	-----	-----
Availability before letters of credit	2,300	1,145
Letters of credit issued under revolving credit facility	(149)	(149)
	-----	-----
Availability	\$ 2,151	\$ 996
	=====	=====

</TABLE>

During 1993, the Corporation and the bank syndicate negotiated certain amendments to the revolver wherein the Corporation agreed to reduce the commitment level by a total of \$2 billion in 1993 to \$4 billion and by an additional \$500 million upon completion of the sale of DCBU. The sale of DCBU was completed in January 1994. The Corporation decided to reduce the commitment level by an additional \$500 million in February 1994, reducing the total commitment level to \$3 billion at March 31, 1994. On April 7, 1994, the Corporation further reduced the commitment level by an additional \$500 million, to \$2.5 billion.

During the first quarter of 1994, the Corporation made several repayments of borrowings under the revolver totalling \$2,155 million. The primary sources of cash for these repayments were the total cash proceeds of approximately \$1.4 billion received from the sale of DCBU and WESCO, the \$505 million of net cash proceeds from the issuance of the Corporation's C Preferred in March 1994, and approximately \$133 million of proceeds from the sale of Financial Services assets. Of the \$2,155 million of total repayments during the first quarter of 1994, \$1,655 million related to Discontinued Operations and \$500 million related to Continuing Operations. At March 31, 1994, there were no borrowings under the revolver related to Continuing Operations.

The Corporation intends to negotiate a revolving credit facility during 1994 to replace its existing facility prior to expiration. The replacement facility is expected to have a commitment level of \$2 billion to \$3 billion with terms and conditions based upon market conditions existing at the time of negotiation.

-29-

30

Operating Activities

Cash used by operating activities of Continuing Operations was \$168 million for the first quarter of 1994, a decrease of \$207 million from the amount provided in the same period in 1993.

Cash used by operating activities of Discontinued Operations was \$75 million for the first quarter of 1994, an increase of \$9 million from the amount used in the first quarter of 1993.

Investing Activities

Excluding cash used by Discontinued Operations, investing activities of Continuing Operations provided \$25 million of cash in the first quarter of 1994, compared to \$33 million of cash used in the same period in 1993. The principal source of this improvement was the sale of two radio stations during the first quarter of 1994.

Investing activities of Discontinued Operations provided \$1,505 million of cash during the first quarter of 1994 compared to \$336 million of cash provided for the same period in 1993. The primary reasons for this increase in cash provided by the investing activities of Discontinued Operations was the sale of DCBU and WESCO during the first quarter of 1994. See Overview above.

Financing Activities

Total debt of the Corporation was \$4,197 million at March 31, 1994, a decrease of \$2,153 million from \$6,350 million at December 31, 1993. Cash and cash equivalents of the Corporation were \$876 million at March 31, 1994, a decrease of \$372 million from \$1,248 million at December 31, 1993.

Short-term debt, including current maturities of long-term debt, of the Corporation totalled \$1,672 million at March 31, 1994 compared to \$3,818 million at December 31, 1993. This decrease is primarily attributable to the repayment of \$2,155 of revolver borrowings during the first quarter of 1994.

Short-term debt, including current maturities of long-term debt, of Continuing Operations was \$202 million at March 31, 1994 compared to \$671 million at December 31, 1993. This decrease is primarily attributed to the repayment of \$500 million of Continuing Operations revolver borrowings during the first quarter of 1994 resulting from the receipt of proceeds from the preferred equity offering.

Short-term debt, including current maturities of long-term debt, of Discontinued Operations totalled \$1,470 million at March 31, 1994 compared to \$3,147 million at December 31, 1993, a decrease of \$1,677 million. This decrease is primarily attributed to the repayment of \$1,655 million of Discontinued Operations revolver borrowings during the first quarter of 1994 resulting from the receipt of proceeds from the sale of DCBU and WESCO.

-30-

31

Total borrowings outstanding under the revolver were \$700 million at March 31, 1994 (excluding the \$149 million of letters of credit), all of which were attributable to Discontinued Operations. These borrowings carried a composite interest rate of 4.3%. The current interest rate for borrowings under the revolver is based on the London Interbank Offer Rate (LIBOR) plus an interest rate margin based upon the Corporation's debt ratings and interest coverage ratio, and utilization of the facility. An increase or decrease in LIBOR will result in higher or lower interest expense to the Corporation. The Corporation's interest rate margin increased .125% upon Moody's downgrade on January 7, 1994. The downgrade by Fitch on January 11, 1994 had no effect on the margin.

Borrowings under the revolver are also subject to utilization and facility

fees. The utilization fee has decreased from .125% to .0% as a result of average revolver borrowings and outstanding letters of credit going below \$2,000 million during the first quarter of 1994. The facility fee, also based on the Corporation's debt ratings and interest coverage ratio, increased .125% to .50% per annum upon the Standard and Poor's downgrade on March 9, 1993. However, the commitment level on which the facility fee is based has declined. See Revolving Credit Facility.

Long-term debt of the Corporation totalled \$2,525 million at March 31, 1994, a \$7 million decrease from December 31, 1993. Long-term debt of Continuing Operations was \$1,882 at March 31, 1994 compared to \$1,885 million at December 31, 1993. Long-term debt of Discontinued Operations was \$643 million at March 31, 1994 compared to \$647 million at December 31, 1993.

The Corporation's net debt-to-capital ratio for Continuing Operations was 50% at March 31, 1994 compared to 65% at December 31, 1993.

PART III. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

- (a) On December 1, 1988, the Republic of the Philippines (Republic) and National Power Corporation (NPC) filed a lawsuit in the United States District Court (USDC) for the District of New Jersey asserting claims against the Corporation, Westinghouse International Projects Company and Burns and Roe Enterprises, Inc. (Burns and Roe) relating to a contract between NPC and Westinghouse for the construction of a nuclear power plant in the Philippines, as well as an earlier consulting contract between NPC and Burns and Roe relating to the same project. This action seeks rescission of the Westinghouse and Burns and Roe contracts and restitution of all money and other property paid to Westinghouse and Burns and Roe or, alternatively, reformation of the NPC-Westinghouse contract. Plaintiffs requested compensatory, punitive and treble damages, costs and expenses of the lawsuit, and such other relief as the USDC deems just and proper. The complaint alleges, among other things, bribery and other fraudulent conduct, tortious interference with the fiduciary duty owed by Ferdinand E. Marcos to the Republic and the

-31-

32

people of the Philippines, common law fraud, and violations of various New Jersey and federal statutes, including the Federal Racketeer Influenced and Corrupt Organizations Act (RICO) statute. Plaintiffs demanded a jury trial.

Also on December 1, 1988, Westinghouse filed a request for arbitration with the International Chamber of Commerce Court of Arbitration (ICC) pursuant to the NPC-Westinghouse contract, setting forth certain claims Westinghouse has against NPC and the Republic and asking for arbitration of the anticipated claims of the Republic and NPC related to the Philippines nuclear power plant. The Republic and NPC challenged the jurisdiction of the ICC, arguing that the contract between the parties, including its arbitration provision, was invalid due to alleged bribery in

the procurement of the contract. In December 1991, the ICC arbitration panel issued its award finding that the Republic and NPC had failed to carry their burden of proving the alleged bribery by the Corporation. The panel thereby concluded that the arbitration clause and contract were valid and that the panel has jurisdiction over the remaining disputes between NPC and the Corporation. In January 1992, NPC filed an action for annulment of the award by the ICC arbitration panel in the Swiss Federal Supreme Court. In September 1993, the Swiss Federal Supreme Court issued an order dismissing NPC's annulment action and assessing cost against NPC. Evidentiary hearings before the ICC began in the first quarter of 1994 and will continue throughout the year. A final award is anticipated in the first quarter of 1995.

With respect to the suit filed in the USDC, Westinghouse filed a motion requesting that the action filed there be stayed in its entirety pending arbitration of the Republic's claim. In 1989, the Court granted a motion brought by the Corporation and ordered 14 of the 15 counts in the lawsuit stayed pending arbitration. The Court retained jurisdiction over the remaining count involving an alleged intentional interference with a fiduciary relationship. Trial commenced with respect to this one count in March 1993. In May 1993, a jury verdict was rendered in favor of the Corporation with respect to all claims relating to the alleged intentional interference with a fiduciary relationship. NPC and the Republic have indicated that they intend to appeal this decision.

- (b) Duke Power Company (Duke) filed a lawsuit against the Corporation in March 1990 in the USDC for the District of South Carolina, Charleston Division, for an unspecified amount of damages, including treble and punitive damages, based on 1970 and 1975 contracts for Westinghouse's supply of nuclear steam supply systems at Duke's McGuire and Catawba plants. Subsequently, Duke disclosed that it was seeking approximately \$655 million for estimated past and future damages for the four nuclear steam supply systems. Duke asserted counts for negligence, promissory estoppel, fraud, negligent misrepresentations, violation of the RICO statute, and violation of North Carolina and South Carolina unfair trade practices, statutes, and alleged that the steam generators delivered by the Corporation were defectively designed and manufactured. Alleged co-owners of the plants intervened in the litigation as additional plaintiffs. In February 1993, the USDC granted the Corporation's motion to dismiss Duke's negligent misrepresentation, negligent design and fabrication claims and portions of its RICO claims. On March 13,

-32-

33

1994, the Corporation and Duke entered into a settlement agreement resolving all claims asserted in the action and entered into a stipulated order dismissing the action with prejudice.

- (c) The Corporation is currently a defendant in approximately 7,400 out of more than 12,000 asbestos cases pending in the Circuit Court of Kanawa County, West Virginia. The plaintiffs allege personal injury, wrongful death and loss on consortium claims arising out of alleged exposure to asbestos-containing products that were manufactured, supplied or installed by the defendants, including the Corporation. Trial commenced on April 5, 1994, on the plaintiffs' claims generally, although no individual plaintiffs will be asserting their claims at this time. Rather, the trial will focus on whether the various defendants' asbestos-containing products

were hazardous, and whether the defendants had and/or breached a duty to warn of the alleged hazards associated with those products. The trial will also determine whether the defendants are liable for punitive damages arising from a failure to warn of alleged hazards associated with their asbestos-containing products. The findings made in this phase of trial regarding "duty to warn" and punitive damages may be applied in future trials involving the individual plaintiffs.

Management believes that the Corporation has meritorious defenses to all of the proceedings described above.

ITEM 6 EXHIBITS AND REPORTS ON FORM 8-K

a) EXHIBITS

(3) ARTICLES OF INCORPORATION AND BYLAWS

(a) Amendments to the Restated Articles of Incorporation

(b) The Restated Articles of the Corporation, as amended

(c) The Bylaws of the Corporation, as amended, are incorporated herein by reference to Exhibit 3(c) to Form 10-K/A for the year ended December 31, 1992.

(4) RIGHTS OF SECURITY HOLDERS

(a) The Corporation agrees to provide to the Securities and Exchange Commission, upon request, a copy of instruments defining the rights of holders of long-term debt of the Corporation and its consolidated subsidiaries.

(10) MATERIAL CONTRACTS

(a) The Annual Performance Plan is incorporated herein by reference to Exhibit 10(a) to Form 10-K/A for the year ended December 31, 1992.

(b) The 1993 Long-Term Incentive Plan is incorporated herein by reference to Exhibit 10(b) to Form 10-K for the year ended December 31, 1993.

(c) The 1984 Long-Term Incentive Plan, as amended, is incorporated herein by reference to Exhibit 10(b) to Form 10-Q for the quarter ended June 30, 1993.

-33-

34

(d) The 1979 Stock Option and Long-Term Incentive Plan is incorporated herein by reference to Exhibit 10(c) to Form 10-K/A for the year ended December 31, 1992.

(e) The Westinghouse Employee Stock Purchase Plan is incorporated herein by reference to Exhibit 10(d) to Form 10-K, as amended, for the year ended December 31, 1991.

(f) The Westinghouse Personal Investment Plan is incorporated herein by reference to Exhibit 10(e) to Form 10-K/A for the year ended December

31, 1992.

- (g) The Westinghouse Executive Pension Plan, as amended, is incorporated herein by reference to Exhibit 10(f) to Form 10-Q for the quarter ended June 30, 1993.
- (h) The Deferred Stock and Compensation Plan for Directors is incorporated herein by reference to Exhibit 10(i) to Form 10-K/A for the year ended December 31, 1992.
- (i) The Advisory Director's Plan is incorporated herein by reference to Exhibit 10(k) to Form 10-K for the year ended December 31, 1989.
- (j) Competitive Advance and Revolving Credit Facility dated as of December 23, 1991, among the Corporation and WCC as borrowers, the Co-Agents and Lenders named therein and Chemical Bank as Administrative Agent, is incorporated herein by reference to Exhibit 10 to the Corporation's Form 8-K dated January 31, 1992.
- (k) First Amendment dated as of September 30, 1992 to the Competitive Advance and Revolving Credit Facility is incorporated herein by reference to Exhibit 10(l) to Form 10-K/A for the year ended December 31, 1992.
- (l) Second Amendment dated as of April 2, 1993 to the Competitive Advance and Revolving Credit Facility is incorporated herein by reference to Exhibit 10(m) to Form 10-Q/A for the quarter ended March 31, 1993.
- (m) Employment Agreement dated June 9, 1992, between the Corporation and Robert A. Watson, is incorporated herein by reference to Exhibit 10 to the Corporation's Form 8-K dated August 11, 1992.
- (n) Merger Agreement dated as of April 7, 1993 among the Corporation, Westinghouse Credit Corporation and Westinghouse Financial Services, Inc. is incorporated herein by reference to Exhibit 10(r) to Form 10-Q/A for the quarter ended March 31, 1993.
- (o) The 1991 Long-Term Incentive Plan, as amended, effective December 31, 1993, is incorporated herein by reference to Exhibit 10(o) to Form 10-K for the year ended December 31, 1993.
- (p) Amended and Restated Competitive Advance and Revolving Credit Facility Agreement effective as of May 3, 1993 among the Corporation as borrower, the Co-Agents and Lenders named therein, and Chemical Bank as Administrative Agent is incorporated herein by reference to Exhibit 10(t) to Form 10-Q for the quarter ended June 30, 1993.
- (q) First Amendment to the Amended and Restated Competitive Advance and Revolving Credit Facility Agreement dated as of June 9, 1993 among the Corporation as borrower, the Co-Agents and Lenders named therein, and Chemical Bank as Administrative Agent is incorporated herein by reference to Exhibit 10(u) to Form 10-Q for the quarter ended June 30, 1993.

- (r) DCBU Purchase Agreement between the Corporation and Eaton Corporation

dated as of August 10, 1993 is incorporated herein by reference to Exhibit 10(v) to Form 10-Q for the quarter ended June 30, 1993.

- (s) Employment Agreement between the Corporation and Michael H. Jordan is incorporated herein by reference to Exhibit 10 to the Corporation's Form 8-K, dated September 1, 1993.
- (t) Second Amendment to the Amended and Restated Competitive Advance and Revolving Credit Facility Agreement dated as of December 1, 1993 among the Corporation as borrower, and Chemical Bank as Administrative Agent is incorporated herein by reference to Exhibit 10(t) to Form 10-K for the year ended December 31, 1993.
- (u) Letter Amendment dated December 30, 1993 to the Employment Agreement between the Corporation and Robert A. Watson is incorporated herein by reference to Exhibit 10(u) to Form 10-K for the year ended December 31, 1993.

- (11) COMPUTATION OF PER SHARE EARNINGS
- (12a) COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
- (12b) COMPUTATION OF RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

b) REPORTS ON FORM 8-K:

A Current Report on Form 8-K (Items 5 and 7) dated March 9, 1994 to report the Corporation's expected earnings for the first quarter of 1994.

A Current Report on Form 8-K (Items 5 and 7) dated March 30, 1994 to report the issuance of preferred equity securities.

-35-

36

SIGNATURE

Pursuant to the requirements 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 13th day of May 1994.

WESTINGHOUSE ELECTRIC CORPORATION

Robert E. Faust

EXHIBIT INDEX

<TABLE>
<CAPTION>

Exhibits

<C>	<S>	<C>
(3)	Articles of Incorporation and Bylaws	
	(a) Amendments to the Restated Articles of Incorporation	
	(b) The Restated Articles of the Corporation, as amended	
	(c) The Bylaws of the Corporation, as amended	*
(4)	Rights of Security Holders	
	(a) The Corporation agrees to provide to the Securities and Exchange Commission, upon request, a copy of instruments defining the rights of holders of long-term debt of the Corporation and its consolidated subsidiaries.	NA
(10)	Material Contracts	
	(a) The Annual Performance Plan	*
	(b) The 1993 Long-Term Incentive Plan	*
	(c) The 1984 Long-Term Incentive Plan	*
	(d) The 1979 Stock Option and Long-Term Incentive Plan	*
	(e) The Westinghouse Employee Stock Purchase Plan	*
	(f) The Westinghouse Personal Investment Plan	*
	(g) The Westinghouse Executive Pension Plan	*
	(h) The Deferred Stock and Compensation Plan for Directors	*
	(i) The Advisory Director's Plan	*
	(j) Competitive Advance and Revolving Credit Facility	*
	(k) Amendment to the Competitive Advance and Revolving Credit Facility	*
	(l) Second Amendment to the Competitive Advance and Revolving Credit Facility	*
	(m) Employment Agreement with Robert A. Watson	*
	(n) Merger Agreement	*
	(o) The 1991 Long-Term Incentive Plan	*
	(p) Amended and Restated Competitive Advance and Revolving Credit Facility	*
	(q) First Amendment to the Amended and Restated Competitive Advance and Revolving Credit Facility	*
	(r) DCBU Purchase Agreement	*
	(s) Employment Agreement with Michael H. Jordan	*
	(t) Second Amendment to the Amended and Restated Competitive Advance and Revolving Credit Facility	*
	(u) Letter Amendment to Employment Agreement with Robert A. Watson	*

(11) Computation of Per Share Earnings

(12) Computation of Ratios

- (a) Ratio of Earnings to Fixed Charges
- (b) Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends

</TABLE>

*Incorporated by reference

FIFTH: A. The total number of shares of all classes of stock which the Corporation shall have authority to issue is 655 million consisting of (1) 25 million shares of Preferred Stock, par value \$1.00 per share ("Preferred Stock"), and (2) 630 million shares of Common Stock, par value \$1.00 per share ("Common Stock").

LAW2:7499

WESTINGHOUSE ELECTRIC CORPORATION

NOW, THEREFORE, BE IT RESOLVED, that the series of Preferred Stock authorized by the Board of Directors on February 23, 1994 shall have the terms and provisions herein set forth:

G.1. DESIGNATION. The shares of such series shall be designated as "Series C Conversion Preferred Stock" (the "Series C Preferred Stock") consisting of 3,795,000 shares.

2. RANK. The Series C Preferred Stock shall, with respect to dividend rights and rights upon liquidation, dissolution and winding up, rank on a parity with the Series B Conversion Preferred Stock, par value \$1.00 per share (the "Series B Preferred Stock"), of the Corporation and prior to the Common Stock, par value \$1.00 per share (the "Common Stock"), and the Series A Participating Cumulative Preferred Stock, par value \$1.00 per share (the "Series A Preferred Stock"), of the Corporation. All equity securities of the Corporation to which the Series C Preferred Stock ranks prior, whether with respect to dividends or upon liquidation, dissolution, winding up or otherwise, including the Common Stock and the Series A Preferred Stock, are collectively referred to herein as the "Junior Securities"; all equity securities of the Corporation with which the Series C Preferred Stock ranks on a parity, including the Series B Preferred Stock, are collectively referred to herein as the "Parity Securities"; and all equity securities of the Corporation (other than convertible debt securities) to which the Series C Preferred Stock ranks junior are collectively referred to herein as the "Senior Securities." The Series C Preferred Stock shall be subject to the creation of Junior Securities, Parity Securities and Senior Securities, subject to the limitations thereon provided for in paragraphs (6)(c) and (6)(d).

3. DIVIDENDS. (a) The holders of outstanding shares of the Series C Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors, out of funds legally available for the payment of dividends, cumulative preferential cash dividends accruing at the per share rate of \$3.25 per quarter and no more, payable in arrears on the first day of each March, June, September and December, respectively (each such date being

hereinafter referred to as a "Dividend Payment Date"), commencing on June 1, 1994. If any Dividend Payment Date is not a business day (as defined in paragraph (4) (h) (i)), then the Dividend Payment Date shall be on the next succeeding day

LAW2:7469

1

3

that is a business day. Each such dividend will be payable to holders of record as they appear on the stock books of the Corporation on such record dates, not less than 10 nor more than 90 days preceding the payment dates thereof, as shall be fixed by the Board of Directors, except that no such record date shall be declared for the final dividend payable on June 1, 1997 and holders of shares of Series C Preferred Stock will receive such final dividend only upon surrender of their share certificates. Dividends on a share of Series C Preferred Stock shall accrue (whether or not the Corporation has earnings, whether or not there are funds legally available for the payment of such dividends and whether or not such dividends are declared) on a daily basis from the previous Dividend Payment Date, except that the first dividend shall accrue from the date of issuance of such share of Series C Preferred Stock. Accrued and unpaid dividends shall not bear interest. Dividends will cease to accrue in respect of the Series C Preferred Stock on the Mandatory Conversion Date (as defined in paragraph (4) (a)) or on the Settlement Date (as defined in paragraph (4) (h) (v)), in the event of their earlier conversion pursuant to paragraph (4) (n), upon the effective date of such conversion, and will cease to accrue on the date of their earlier redemption pursuant to paragraph (4) (c) unless the Corporation shall default in delivering the shares of Common Stock and cash, if any, payable by the Corporation upon such redemption. Dividends (or cash amounts equal to accrued and unpaid dividends) payable on the Series C Preferred Stock for any period shorter than a quarterly dividend period shall be computed on the basis of a 360-day year of twelve 30-day months and, for purposes of calculating the accrual of dividends, dividends will accrue to, but not including, the date fixed for payment.

(b) Unless full cumulative dividends, if any, accrued on the Series C Preferred Stock have been or contemporaneously are declared and paid or declared and a sum set apart sufficient for such payment through the most recent Dividend Payment Date (or the obligations of the Corporation with respect to the payment of such dividends are satisfied as contemplated by paragraphs (4) (a), (b) or (c)), then, whether or not the Mandatory Conversion Date has occurred, (i) no full cash dividend shall be declared by the Board of Directors or paid or set apart for payment by the Corporation or other distribution declared or made on any Parity Securities, (ii) no dividend shall be declared or paid or set aside for payment or other distribution declared or made upon the Common Stock, the Series A Preferred Stock or upon any other Junior Securities (other than a dividend or distribution paid in shares of, or warrants, rights or options exercisable for or convertible into, Common Stock,

the Series A Preferred Stock or any other Junior Securities) and (iii) no Common Stock, Series A Preferred Stock or any

LAW2:7469

2

4

other Junior Securities shall be redeemed, purchased or otherwise acquired for any consideration, nor shall any moneys be paid to or made available for a sinking fund for the redemption of any shares of any such series or class by the Corporation, except by conversion into or in exchange for Junior Securities. If any dividends are not paid or set apart in full, as aforesaid, with respect to the Series C Preferred Stock and any Parity Securities, all dividends declared with respect to the Series C Preferred Stock and any Parity Securities shall be declared pro rata so that the amount of dividends declared per share on the Series C Preferred Stock and such Parity Securities shall in all cases bear to each other the same ratio that accrued dividends per share on the Series C Preferred Stock and such Parity Securities bear to each other. Holders of the shares of the Series C Preferred Stock shall not be entitled to any dividends, whether payable in cash, property or stock, in excess of full cumulative dividends as provided in paragraph (3) (a).

(c) Subject to the foregoing provisions of this paragraph (3) and paragraph (4) (d), the Board of Directors may declare and the Corporation may pay or set apart for payment dividends and other distributions on any of the Junior Securities or Parity Securities, and may redeem, purchase or otherwise retire any Junior Securities or Parity Securities, and the holders of the shares of the Series C Preferred Stock shall not be entitled to share therein.

(d) Any dividend payment made on shares of the Series C Preferred Stock shall first be credited against the earliest accrued but unpaid dividend due with respect to shares of the Series C Preferred Stock.

(e) All dividends paid with respect to shares of the Series C Preferred Stock pursuant to this paragraph (3) shall be paid pro rata to the holders entitled thereto.

(f) Holders of shares of the Series C Preferred Stock shall be entitled to receive the dividends provided for in this paragraph (3) in preference to and in priority over any dividends upon any of the Junior Securities.

4. REDEMPTIONS OR CONVERSIONS. (a) AUTOMATIC CONVERSION ON MANDATORY CONVERSION DATE. Unless earlier called for redemption by the Corporation or converted in accordance with the provisions hereof, on June 1, 1997 (the "Mandatory Conversion Date"), each outstanding share of the Series C Preferred Stock shall automatically convert into:

(i) shares of Common Stock at the Common Equivalent Rate (determined as provided in paragraph (4)(d)) in effect on the Mandatory Conversion Date; and

LAW2:7469

3

5

(ii) the right to receive an amount in cash equal to all accrued and unpaid dividends on such share of Series C Preferred Stock to the Mandatory Conversion Date, whether or not declared, out of funds legally available for the payment of dividends (and dividends shall cease to accrue on such share as of the Mandatory Conversion Date).

The Corporation shall at all times reserve and keep available, free from preemptive rights, out of the aggregate of its authorized but unissued Common Stock and/or its Common Stock held in its treasury for the purpose of effecting any conversion of the Series C Preferred Stock, either pursuant to this paragraph (4)(a) ("Mandatory Conversion") or pursuant to paragraphs (4)(b), (c) or (n) the full number of shares of Common Stock then deliverable upon any conversion of all outstanding shares of Series C Preferred Stock.

The right to receive an amount in cash equal to all accrued and unpaid dividends on such shares of Series C Preferred Stock (the "Accrued Dividend Amount") will occur upon Mandatory Conversion whether or not the Corporation has earnings and whether or not such dividends are declared; PROVIDED, HOWEVER, that to the extent that funds are not legally available for the payment of the Accrued Dividend Amount upon Mandatory Conversion, the holders of Series C Preferred Stock shall be entitled to receive, and the Corporation shall distribute to such holders, on the fifth business day next succeeding the Mandatory Conversion Date, in lieu of payment in cash of the Accrued Dividend Amount, a number of shares of Common Stock equal to 110% of the Accrued Dividend Amount divided by the Current Market Price (as defined in paragraph (4)(d)(vii)) of the Common Stock determined as of the second Trading Date (as defined in paragraph (4)(h)(vi)) prior to the Mandatory Conversion Date, except that (i) no such distribution shall be made by the Corporation if, prior to the date on which the Corporation is required to make such distribution, the Corporation shall have made payment in full of the Accrued Dividend Amount in cash and (ii) if the Corporation does not have a sufficient number of authorized but unissued shares of Common Stock and shares of Common Stock held in its treasury not reserved for other corporate purposes to make such distribution in full, the Corporation shall make such distribution to the fullest extent possible, pro rata to the holders of Series C Preferred Stock entitled thereto (as nearly as may be practicable without creating fractional shares), and the holders of Series C Preferred Stock shall thereafter have the right to receive, and the Corporation shall pay to such holders as promptly as

possible, the remainder in cash or shares of Common Stock or a combination thereof, on the same terms set forth in this paragraph

LAW2:7469

4

6

(4) (a) for the payment in cash of amounts equal to accrued and unpaid dividends and for the distribution of shares of Common Stock in lieu of payment of such amounts in cash.

(b) AUTOMATIC CONVERSION UPON THE OCCURRENCE OF CERTAIN EVENTS. Immediately prior to the effectiveness of an amendment of the articles, merger, consolidation, share exchange, division or conversion of the Corporation or similar extraordinary transaction that results in the conversion or exchange of Common Stock into, or the right of the holders thereof to receive, in lieu of or in addition to their shares of Common Stock, other securities or other property (whether of the Corporation or any other entity) (any such amendment, merger, consolidation, share exchange, division or conversion or similar extraordinary transaction being referred to herein as a "Fundamental Transaction") each outstanding share of the Series C Preferred Stock shall automatically convert, on the Settlement Date, as defined in paragraph (4) (h) (v) into:

(A) shares of Common Stock at the same rate as would have been the case if the Series C Preferred Stock had been called for redemption on the business day immediately preceding the Mandatory Conversion Date (with a Current Market Price determined as of the second Trading Date prior to the Settlement Date) but in no case greater than the Common Equivalent Rate; plus

(B) the right to receive an amount in cash equal to all accrued and unpaid dividends on such share of the Series C Preferred Stock to and including the Settlement Date, whether or not declared, out of funds legally available for the payment of dividends (and dividends shall cease to accrue on such share after the Settlement Date); plus

(C) the right to receive an amount of cash initially equal to \$34.90, declining by \$0.03056 on each day following the date of issuance of the Series C Preferred Stock (computed on the basis of a 360-day year of twelve 30-day months) to \$0.00 on June 1, 1997, in each case determined with reference to the Settlement Date, out of funds legally available therefor.

At the option of the Corporation, it may deliver on the Settlement Date in lieu of some or all of the cash consideration described in clauses (B) and (C) above, pro rata to the holders of Series C Preferred Stock

entitled thereto, a number of shares of Common Stock to be determined by dividing the amount of cash consideration that the Corporation has elected to pay in Common Stock by the

LAW2:7469

5

7

Current Market Price (as defined in paragraph (4)(d)(vii)) of the Common Stock determined, in the case of a Fundamental Transaction, as of the second Trading Date prior to the Settlement Date.

(c) OPTIONAL REDEMPTION. The Corporation shall have the right to call, in whole or in part, the outstanding shares of the Series C Preferred Stock for redemption on the business day immediately preceding the Mandatory Conversion Date. On the redemption date, the Corporation shall deliver to the holders thereof in exchange for each such share called for redemption the greater of (i) a number of shares of Common Stock equal to the Call Price (as defined in paragraph (4)(h)(ii)) divided by the Current Market Price of the Common Stock determined as of the second Trading Date immediately preceding the Notice Date (as defined in paragraph 4(h)(iv)) and (ii) 8.85 shares of Common Stock (subject to adjustment in the same manner as the Common Equivalent Rate, as described in paragraph 4(d)). Accrued and unpaid dividends on shares of Series C Preferred Stock so redeemed will be paid in cash on the date fixed for their redemption, whether or not declared, out of funds legally available for the payment of dividends (and dividends shall cease to accrue on such share as of such date). If fewer than all the outstanding shares of Series C Preferred Stock are to be called for redemption, shares to be redeemed shall be selected by the Corporation from outstanding shares of Series C Preferred Stock by lot or pro rata (as nearly as may be practicable without creating fractional shares) or by any other method determined by the Board of Directors of the Corporation in its sole discretion to be equitable.

(d) COMMON EQUIVALENT RATE ADJUSTMENTS. The Common Equivalent Rate to be used to determine the number of shares of Common Stock to be delivered on the conversion of the Series C Preferred Stock into shares of Common Stock pursuant to paragraphs (4)(a) or (b) shall be initially ten shares of Common Stock for each share of Series C Preferred Stock; PROVIDED, HOWEVER, that such Common Equivalent Rate shall be subject to adjustment from time to time as provided below in this paragraph (4)(d). All adjustments to the Common Equivalent Rate shall be calculated to the nearest 1/100th of a share of Common Stock (or, if there is not a nearest 1/100th of a share, to the next lower 1/100th of a share). No adjustment will be required unless such adjustment would require an increase or decrease of at least one percent therein; PROVIDED, HOWEVER, that any adjustments which, by reason of the foregoing, are not required to be made will be carried forward and taken into account in any subsequent adjustment. Such rate in effect at any time is herein called the "Common Equivalent Rate."

8

- (i) If the Corporation shall:
- (A) pay a dividend or make a distribution with respect to Common Stock in shares of Common Stock,
 - (B) subdivide or split its outstanding shares of Common Stock into a greater number of shares,
 - (C) combine its outstanding shares of Common Stock into a smaller number of shares, or
 - (D) issue by reclassification of its shares of Common Stock any shares of Common Stock of the Corporation other than in a Fundamental Transaction described in paragraph (4) (b),

then, in any such event, the Common Equivalent Rate in effect immediately prior thereto shall be adjusted so that the holder of a share of the Series C Preferred Stock shall be entitled to receive on the conversion of such share of the Series C Preferred Stock, the number of shares of Common Stock which such holder would have owned or been entitled to receive after the happening of any of the events described above had such share of the Series C Preferred Stock been converted at the Common Equivalent Rate in effect immediately prior to such event or any record date with respect thereto. Such adjustment shall become effective at the opening of business on the business date next following the record date for determination of stockholders entitled to receive such dividend or distribution in the case of a dividend or distribution, and shall become effective immediately after the effective date in case of a subdivision, split, combination or reclassification; and any shares of Common Stock issuable in payment of a dividend shall be deemed to have been issued immediately prior to the close of business on the record date for such dividend for purposes of calculating the number of outstanding shares of Common Stock under clauses (ii) and (iii) below. Such adjustments shall be made successively.

(ii) If the Corporation shall, after the date hereof, issue rights or warrants to all holders of its Common Stock entitling them (for a period not exceeding 45 days from the date of such issuance) to subscribe for or purchase shares of Common Stock at a price per share less than the Current Market Price of the Common Stock (determined pursuant to paragraph (4) (d) (vii)) on the record date for the determination of stockholders entitled to

9

receive such rights or warrants, then in each case the Common Equivalent Rate shall be adjusted by multiplying the Common Equivalent Rate in effect immediately prior to the date of issuance of such rights or warrants by a fraction, of which the numerator shall be the number of shares of Common Stock outstanding on the date of issuance of such rights or warrants, immediately prior to such issuance, plus the number of additional shares of Common Stock offered for subscription or purchase pursuant to such rights or warrants, and of which the denominator shall be the number of shares of Common Stock outstanding on the date of issuance of such rights or warrants, immediately prior to such issuance, plus the number of shares of Common Stock which the aggregate offering price of the total number of shares of Common Stock so offered for subscription or purchase pursuant to such rights or warrants would purchase at such Current Market Price (determined by multiplying such total number of shares by the exercise price of such rights or warrants and dividing the product so obtained by such Current Market Price). Such adjustment shall become effective at the opening of business on the business day next following the record date for the determination of stockholders entitled to receive such rights or warrants. To the extent that shares of Common Stock are not delivered after the expiration of such rights or warrants, the Common Equivalent Rate shall be readjusted to the Common Equivalent Rate which would then be in effect had the adjustments made upon the issuance of such rights or warrants been made upon the basis of delivery of only the number of shares of Common Stock actually delivered. Such adjustments shall be made successively.

(iii) If the Corporation shall pay a dividend or make a distribution to all holders of its Common Stock of evidence of its indebtedness or other assets (including shares of capital stock of the Corporation (other than Common Stock) but excluding any distributions and dividends referred to in clause (i) above or any cash dividends), or shall issue to all holders of its Common Stock rights or warrants to subscribe for or purchase any of its securities (other than those referred to in clause (ii) above), then in each such case, the Common Equivalent Rate shall be adjusted by multiplying the Common Equivalent Rate in effect on the record date mentioned below by a fraction, of which the numerator shall be the Current Market Price of the Common Stock (determined pursuant to paragraph (4)(d)(vii)) on the record date for the determination of stockholders entitled to receive such dividend or distribution, and of which the denominator shall be such Current Market Price per share of Common Stock less the fair value (as determined by the Board of Directors of the Corporation, whose determination shall be conclusive) as of such record date of the portion of the assets or evidences of indebtedness so distributed, or of

10

such subscription rights or warrants, applicable to one share of Common Stock. Such adjustment shall become effective on the opening of business on the business day next following the record date for the determination of stockholders entitled to receive such dividend or distribution.

(iv) In case the Corporation shall, by dividend or otherwise, at any time distribute to all holders of its Common Stock cash (excluding (a) any cash dividends on the Common Stock to the extent that the aggregate cash dividends per share of Common Stock in any consecutive 12-month period do not exceed the greater of (x) the amount per share of Common Stock of the cash dividends paid on the Common Stock in the next preceding 12-month period, to the extent that such dividends for the preceding 12-month period did not require an adjustment to the Common Equivalent Rate pursuant to this paragraph (as adjusted to reflect subdivisions or combinations of the Common Stock) and (y) 15 percent of the average daily Closing Prices (as defined in paragraph (4)(h)(iii)) of the Common Stock for the ten consecutive Trading Days immediately prior to the date of declaration of such distribution and (b) any dividend or distribution in connection with the liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, then, in each such case, unless the Corporation elects to reserve such an amount of cash for distribution to the holders of the Series C Preferred Stock so that any such shares will receive upon conversion, in addition to the shares of the Common Stock to which such holder is entitled, the amount of cash (to the extent not excluded as provided above) which such holder would have received if such holder had, immediately prior to the record date for such distribution of cash, converted its shares of Series C Preferred Stock into Common Stock, the Common Equivalent Rate shall be increased so that the same shall equal the rate determined by multiplying the Common Equivalent Rate in effect at the close of business on such record date by a fraction of which the numerator shall be the Closing Price of the Common Stock on such record date and the denominator shall be the Closing Price of the Common Stock less the amount of cash so distributed (to the extent not excluded as provided above) applicable to one share of Common Stock, such increase to become effective immediately prior to the opening of business on the day following such record date; PROVIDED, HOWEVER, that in the event the portion of the cash so distributed applicable to one share of Common Stock is equal to or greater than the Closing Price of the Common Stock on such record date, in lieu of the foregoing adjustment, adequate provision shall be made so that each holder of shares of Series C Preferred Stock shall thereafter have the right to receive upon conversion the amount of cash (to the extent not excluded as provided above) such holder would

11

have received had such holder converted each share of Series C Preferred Stock on such record date. If any adjustment is required to be made as set forth in this paragraph (4) (d) (iv) as a result of a distribution which is a dividend described in subclause (a) of this paragraph, such adjustment shall be based upon the amount by which such distribution exceeds the amount of the dividend permitted to be excluded pursuant to such subclause (a) of this paragraph. If an adjustment is required to be made pursuant to this paragraph as a result of a distribution which is not such a dividend, such adjustment shall be based upon the full amount of such distribution.

(v) In case of the consummation of a tender or exchange offer (other than an odd-lot tender offer) made by the Corporation or any subsidiary of the Corporation for all or any portion of the Common Stock to the extent that the cash and value of any other consideration included in such payment per share of Common Stock exceeds 110% of the first reported sales price per share of Common Stock on the Trading Day next succeeding the Expiration Time (as defined below), the Common Equivalent Rate shall be increased so that the same shall equal the rate determined by multiplying the Common Equivalent Rate in effect immediately prior to the last time tenders or exchanges may be made pursuant to such tender or exchange offer (the "Expiration Time") by a fraction of which the denominator shall be the number of shares of Common Stock outstanding (including any tendered or exchanged shares) on the Expiration Time multiplied by the first reported sales price of the Common Stock on the Trading Day next succeeding the Expiration Time, and the numerator shall be the sum of (A) the fair market value (determined by the Board of Directors, whose determination shall be conclusive and described in a resolution of the Board of Directors) of the aggregate consideration payable to stockholders based on the acceptance (up to any maximum specified in the terms of the tender or exchange offer) of all shares validly tendered or exchanged and not withdrawn as of the Expiration Time (the shares deemed so accepted, up to any such maximum, being referred to as the "Purchased Shares") and (B) the product of the number of shares of Common Stock outstanding (less any Purchased Shares) on the Expiration Time and the first reported sales price of the Common Stock on the Trading Day next succeeding the Expiration Time, such reduction to become effective immediately prior to the opening of business on the day following the Expiration Time.

(vi) Anything in this paragraph (4) notwithstanding, the Corporation shall be entitled to make such upward adjustments in the Common Equivalent Rate, in addition to those required by this paragraph (4), as the Corporation in its sole discretion may determine to be

advisable, in order that any stock dividends, subdivisions of shares, distributions of rights to purchase stock or securities, or distributions of securities convertible into or exchangeable for stock (or any transaction which could be treated as any of the foregoing transactions pursuant to Section 305 of the Internal Revenue Code of 1986, as amended) hereafter made by the Corporation to its stockholders shall not be taxable. If the Corporation determines that an adjustment to the Common Equivalent Rate should be made, an adjustment shall be made effective as of such date as is determined by the Board of Directors of the Corporation. The determination of the Board of Directors of the Corporation as to whether an adjustment to the Common Equivalent Rate should be made pursuant to the foregoing provisions of this paragraph (4)(d)(vi), and, if so, as to what adjustment should be made and when, shall be conclusive, final and binding on the Corporation and all stockholders of the Corporation.

(vii) As used in this paragraph (4), the "Current Market Price" of the Common Stock on any date shall be the average of the daily Closing Prices (as defined in paragraph (4)(h)(iii)) for the five consecutive Trading Dates ending on and including the date of determination of the Current Market Price; provided, however, that if the Closing Price for the Trading Date next following such five-day period (the "next-day closing price") is less than 95% of such average, then the Current Market Price per share of Common Stock on such date of determination shall be the next-day Closing Price; and provided, further, that, if any event that results in an adjustment of the Common Equivalent Rate occurs during such five-day period or, for the purposes of calculating the Current Market Price in connection with any redemption or conversion of Series C Preferred Stock or any determination of an amount in cash payable in lieu of a fraction of a share of Common Stock, if any event that results in an adjustment of the Common Equivalent Rate occurs during the period beginning on the first day of such five-day period and ending on the applicable redemption or conversion date, the Current Market Price as determined pursuant to the foregoing will be appropriately adjusted to reflect the occurrence of such event.

(viii) In any case in which paragraph (4)(d) shall require that an adjustment as a result of any event become effective at the opening of business on the business day next following a record date and the date fixed for conversion or redemption pursuant to paragraphs (4)(a), (b), (c) or (n) occurs after such record date, but before the occurrence of such event the Corporation may in its sole discretion elect to defer the following until after the occurrence of such event: (A) issuing to the holder of any converted or redeemed shares of the Series C Preferred Stock

the additional shares of Common Stock issuable upon such conversion or redemption before giving effect to such adjustment and (B) paying to such holder any amount in cash in lieu of a fractional share of Common Stock pursuant to paragraph (4) (f).

(e) NOTICE OF ADJUSTMENTS. Whenever the Common Equivalent Rate or Optional Conversion Rate is adjusted as herein provided, the Corporation shall:

(i) forthwith compute the adjusted Common Equivalent Rate and the adjusted Optional Conversion Rate (as defined in paragraph 4(n)) in accordance with this paragraph (4) and prepare a certificate signed by the Chief Financial Officer, any Vice President, the Treasurer or Controller of the Corporation setting forth the adjusted Common Equivalent Rate, the adjusted Optional Conversion Rate, the method of calculation thereof in reasonable detail and the facts requiring such adjustment and upon which such adjustment is based, which certificate shall be conclusive, final and binding evidence of the correctness of the adjustment, and file such certificate forthwith with the transfer agent or agents for the Series C Preferred Stock and the Common Stock; and

(ii) mail a notice stating that the Common Equivalent Rate and the Optional Conversion Rate have been adjusted, the facts requiring such adjustment and the facts upon which such adjustment is based and setting forth the adjusted Common Equivalent Rate and the adjusted Optional Conversion Rate to the holder of record of the outstanding shares of the Series C Preferred Stock at or prior to the time the Corporation mails an interim statement to its stockholders covering the fiscal quarter during which the facts requiring such adjustment occurred, but in any event within 45 days of the end of such fiscal quarter.

(f) NO FRACTIONAL SHARES. No fractional share or scrip representing fractional shares of Common Stock shall be issued upon the redemption or conversion of any shares of Series C Preferred Stock. Instead of any fractional interest in a share of Common Stock which would otherwise be deliverable upon the redemption or conversion of a share of Series C Preferred Stock, the Corporation shall pay to the holder of such share an amount in cash (computed to the nearest cent) equal to the same fraction of the (i) Current Market Price of the Common Stock determined as of the second Trading Date

immediately preceding the Notice Date, in the case of redemption pursuant to paragraph 4(c), (ii) Closing Price (as defined in paragraph 4(h)(iii) of the Common Stock determined (A) as of the fifth Trading Date immediately preceding

the Mandatory Conversion Date, in the case of a Mandatory Conversion, or (B) as of the second Trading Date immediately preceding the date of conversion in the case of any optional conversion pursuant to paragraph 4(n), or (iii) the Settlement Date, in the case of a Fundamental Transaction. If more than one share shall be surrendered for conversion at one time by the same holder, the number of full shares of Common Stock issuable upon conversion thereof shall be computed on the basis of the aggregate number of shares of Series C Preferred Stock so surrendered.

(g) CANCELLATION. Shares of Series C Preferred Stock that have been issued and reacquired in any manner, including shares purchased, exchanged, redeemed or converted, shall not be reissued as part of the Series C Preferred Stock and shall (upon compliance with any applicable provisions of the laws of the Commonwealth of Pennsylvania) have the status of authorized and unissued shares of the class of Preferred Stock undesignated as to series and may be redesignated and reissued as part of any series of the Preferred Stock.

(h) DEFINITIONS. As used in this paragraph (4):

(i) the term "business day" shall mean any day other than a Saturday, Sunday or a day on which banking institutions in the State of New York or the Commonwealth of Pennsylvania are authorized or obligated by law or executive order to close or are closed because of a banking moratorium or otherwise;

(ii) the term "Call Price" shall mean \$131.25 per share;

(iii) the term "Closing Price" on any day shall mean the closing sale price regular way on such day or, in case no such sale takes place on such day, the reported closing bid price regular way, in each case on the New York Stock Exchange or, if the Common Stock is not listed or admitted to trading on such Exchange, then on the principal national securities exchange on which the Common Stock is listed or admitted to trading (which shall be the national securities exchange on which the greatest number of shares of Common Stock has been traded during the five consecutive Trading Dates ending on and including the date of determination of the Current Market Price), or, if not quoted or listed or admitted to trading on any national securities exchange or quotation system, the closing bid price of the Common Stock on the over-the-counter market on the day in question as reported by the National Quotation Bureau Incorporated, or a similarly generally accepted

the Board of Directors, on the basis of such relevant factors as it in good faith considers, in the reasonable judgement of the Board of Directors, appropriate;

(iv) the term "Notice Date" with respect to any notice given by the Corporation in connection with the Series C Preferred Stock shall be the earlier of the public announcement with respect to any matter or the commencement of the mailing of such notice to the holders of the Series C Preferred Stock in accordance with paragraph (4) (i);

(v) the term "Settlement Date" shall mean the business day immediately prior to the effective date of a Fundamental Transaction;

(vi) the term "Trading Date" shall mean a date on which the New York Stock Exchange (or any successor thereto) is open for the transaction of business.

(i) NOTICE OF REDEMPTION OR AUTOMATIC CONVERSION. The Corporation will provide notice of any redemption or automatic conversion (including any potential conversion upon the effectiveness of a Fundamental Transaction but excluding any conversion pursuant to paragraphs (4) (a) or (n)) of shares of Series C Preferred Stock to holders of record of the Series C Preferred Stock to be called or converted not less than 15 nor more than 60 days prior to the date fixed for such redemption or conversion, as the case may be; PROVIDED, HOWEVER, that if the timing of a Fundamental Transaction makes it impracticable to provide at least 15 days notice, the Corporation shall provide such notice as soon as is practicable. Such notice shall be provided by mailing notice of such redemption or conversion first class postage prepaid, to each holder of record of the Series C Preferred Stock to be redeemed or converted, at such holder's address as it appears on the stock register of the Corporation; PROVIDED, HOWEVER, that no failure to give such notice nor any defect therein shall affect the validity of the proceeding for the redemption or conversion of any shares of Series C Preferred Stock to be redeemed or converted, except as to the holder to whom the Corporation has failed to give such notice or whose notice was defective. Each such notice shall state, as appropriate, the following:

(i) the redemption or automatic conversion date;

LAW2:7469

14

16

(ii) that all outstanding shares of Series C Preferred Stock are to be redeemed or converted or, in the case of a call for redemption pursuant to paragraph (4) (c) of fewer than all outstanding shares of Series C Preferred Stock, the number of such shares held by

such holder to be redeemed;

(iii) in the case of a call for redemption pursuant to paragraph (4) (c), the Call Price, the number of shares of Common Stock deliverable upon redemption of each share of Series C Preferred Stock to be redeemed and, if applicable, the Current Market Price used to calculate such number of shares of Common Stock subject to any subsequent adjustments pursuant to paragraph (4) (d);

(iv) whether the Corporation is delivering shares of Common Stock in lieu of cash (in the case of a conversion pursuant to paragraphs (4) (a) or (4) (b)), the Current Market Price to be used to calculate the number of such shares of Common Stock and, if the Corporation is delivering shares in respect of less than all the cash that would otherwise be deliverable by the Corporation upon such conversion, the portion of such cash in lieu of which Common Stock will be delivered;

(v) the place or places where certificates for such shares are to be surrendered for redemption or conversion; and

(vi) that dividends on the shares of Series C Preferred Stock to be redeemed or converted will cease to accrue on such redemption or automatic conversion date or, in the case of a conversion pursuant to paragraph (4) (b), on the related Settlement Date, unless, in the case of a redemption pursuant to paragraph (4) (c), the Corporation shall default in delivering the shares of Common Stock and cash, if any, payable by the Corporation at the time and place specified in such notice.

(j) DEPOSIT OF SHARES AND FUNDS. The Corporation's obligation to deliver shares of Common Stock and provide funds in accordance with this paragraph (4) shall be deemed fulfilled if, on or before a redemption or conversion date or Settlement Date, the Corporation shall deposit, with a bank or trust company, or an affiliate of a bank or trust company, having an office or agency in New York city and having a capital and surplus of at least \$50,000,000, such number of shares of Common Stock as are

LAW2:7469

15

17

required to be delivered by the Corporation pursuant to this paragraph (4) upon the occurrence of the related redemption or conversion (including any payment of cash in lieu of the issuance of fractional share amounts pursuant to paragraph (4) (f)), together with funds (or, in the case of a conversion pursuant to paragraphs (4) (a) or (4) (b), shares of Common Stock and/or funds) sufficient to pay all accrued and unpaid dividends on the shares to be redeemed or converted as required by this paragraph (4), in trust for the account of the

holders of the shares to be redeemed or converted (and so as to be and continue to be available thereto), with irrevocable instructions and authority to such bank or trust company that such shares and funds be delivered upon redemption or conversion of the shares of Series C Preferred Stock so called for redemption or converted. Any interest accrued on such funds shall be paid to the Corporation from time to time. Any shares of Common Stock or funds so deposited and unclaimed at the end of two years from such redemption or conversion date shall be repaid and released to the Corporation, after which the holder or holders of such shares of Series C Preferred Stock so called for redemption or converted shall look only to the Corporation for delivery of such shares of Common Stock or funds.

(k) SURRENDER OF CERTIFICATES; STATUS. Each holder of shares of Series C Preferred Stock to be redeemed or converted shall surrender the certificates evidencing such shares (properly endorsed or assigned for transfer, unless any notice shall state otherwise) to the Corporation at the place designated in the notice of such redemption or conversion and shall thereupon be entitled to receive certificates evidencing shares of Common Stock and to receive any funds payable pursuant to this paragraph (4) following such surrender and following the date of such redemption or conversion. In case fewer than all the shares represented by any such surrendered certificate are called for redemption, a new certificate shall be issued at the expense of the Corporation representing the unredeemed shares. If such notice of redemption or conversion shall have been given, and if on the date fixed for redemption or conversion (or on the Mandatory Conversion Date) shares of Common Stock and funds necessary for the redemption or conversion shall have been either set aside by the Corporation separate and apart from its other funds or assets in trust for the account of the holders of the shares to be redeemed or converted (and so as to be and continue to be available therefor) or deposited with a bank or trust company or affiliate thereof as provided in paragraph (4)(j), or the circumstances described in clause (ii) to the proviso appearing in the third full paragraph of paragraph (4)(a) are in effect, then, notwithstanding that the certificates evidencing any shares of Series C Preferred

LAW2:7469

16

18

Stock so called for redemption or subject to conversion shall not have been surrendered, the shares represented thereby so called for redemption or subject to conversion shall be deemed no longer outstanding, dividends with respect to the shares so called for redemption or subject to conversion shall cease to accrue after the date fixed for redemption or conversion or, in the case of a conversion pursuant to paragraph (4)(b), on the related Settlement Date, and all rights with respect to the shares so called for redemption or subject to conversion shall forthwith after such date cease and terminate, except for the right of the holders to receive the shares of Common Stock and funds, if any, payable pursuant to this paragraph (4) without interest upon surrender of their

certificates therefor.

(l) DIVIDEND PAYMENTS. Holders of shares of Series C Preferred Stock at the close of business on a record date for any payment of declared dividends will be entitled to receive the dividend payable on such shares of Series C Preferred Stock on the corresponding Dividend Payment Date notwithstanding the optional conversion of such shares of Series C Preferred Stock following such record date and before such Dividend Payment Date. However, shares of Series C Preferred Stock surrendered for optional conversion pursuant to paragraph 4(n) after the close of business on a record date for any payment of declared dividends and before the opening of business on the next succeeding Dividend Payment Date must be accompanied by payment in cash of an amount equal to the dividend attributable to the current quarterly dividend period payable on such date. Notwithstanding the foregoing, holders of Series C Preferred Stock who convert pursuant to paragraph 4(n) their Series C Preferred Stock at any time after such Series C Preferred Stock have been called for redemption, will be entitled to receive, in addition to shares of Common Stock issuable upon conversion, cash payment of dividends accrued and unpaid to the date of such conversion. Except as set forth in the preceding sentence, upon any optional conversion pursuant to paragraph 4(n) of shares of Series C Preferred Stock, the Corporation will make no payment of or allowance for accrued and unpaid dividends, whether or not in arrears, on such shares of Series C Preferred Stock, or for previously declared dividends or distributions on the shares of Common Stock issued upon such conversion.

(m) PAYMENT OF TAXES. The Corporation will pay any and all documentary, stamp or similar issue or transfer taxes payable in respect of the issue or delivery of shares of Common Stock on the redemption or conversion of shares of Series C Preferred Stock pursuant to this paragraph (4); provided, however, that the Corporation shall not be required to pay any tax which may be payable in respect of

LAW2:7469

17

19

any registration of transfer involved in the issue or delivery of shares of Common Stock in a name other than that of the registered holder of Series C Preferred Stock redeemed or converted or to be redeemed or converted, and no such issue or delivery shall be made unless and until the person requesting such issue has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that such tax has been paid.

(n) CONVERSION AT THE OPTION OF THE HOLDER. After 40 days following the latest date of original issuance of the Series C Preferred Stock, the shares of the Series C Preferred Stock are convertible, in whole or in part, at the option of the holders thereof, at any time before the Mandatory

Conversion Date, unless previously redeemed, into shares of Common Stock at a rate of 8.85 shares of Common Stock for each share of Series C Preferred Stock (the "Optional Conversion Rate"). The Optional Conversion Rate is subject to adjustment in the same manner as the Common Equivalent Rate, as described in paragraph (4) (d). The right to convert shares of Series C Preferred Stock called for redemption will terminate immediately before the close of business on the redemption date with respect to such shares.

Conversion of shares of Series C Preferred Stock at the option of the holder may be effected by delivering certificates evidencing such shares of Series C Preferred Stock, together with written notice of conversion and a proper assignment of such certificates to the Corporation or in blank (and, if applicable, cash payment of an amount equal to the dividend attributable to the current quarterly dividend period payable on such shares), to the office of the transfer agent for Series C Preferred Stock or to any other office or agency maintained by the Corporation for that purpose and otherwise in accordance with conversion procedures established by the Corporation. Each optional conversion will be deemed to have been effected immediately before the close of business on the date on which the foregoing requirements have been satisfied. The conversion will be at the Optional Conversion Rate in effect at such time and on such date.

5. LIQUIDATION PREFERENCES. (a) In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, the holders of shares of Series C Preferred Stock then outstanding shall be entitled to be paid out of the assets of the Corporation available for distribution to its stockholders, after payment or provision for payment of any Senior Securities, an amount per share of Series C Preferred Stock in cash equal to the sum of (i) \$144.40 plus (ii) all accrued and

LAW2:7469

18

20

unpaid dividends thereon to the date of liquidation, dissolution or winding up, before any payment shall be made or any assets distributed to the holders of any of the Junior Securities. If the assets of the Corporation are not sufficient to pay in full the liquidation payments payable to the holders of outstanding shares of the Series C Preferred Stock and any Parity Securities, then the holders of all such shares shall share ratably in such distribution of assets in accordance with the amount which would be payable on such distribution if the amounts to which the holders of outstanding shares of Series C Preferred Stock and the holders of outstanding shares of such Parity Securities are entitled were paid in full. Except as provided in this paragraph (5) (a), holders of Series C Preferred Stock shall not be entitled to any distribution in the event of liquidation, dissolution or winding up of the affairs of the Corporation.

(b) For the purposes of this paragraph (5), none of the following shall be deemed to be a voluntary or involuntary liquidation, dissolution or winding up of the Corporation:

(i) the voluntary sale, conveyance, lease, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the property or assets of the Corporation;

(ii) the consolidation or merger of the Corporation with or into one or more other corporations or other associations;

(iii) the consolidation or merger of one or more corporations or other associations with or into the Corporation;

(iv) the participation by the Corporation in a share exchange;

(v) the division of the Corporation pursuant to 15 Pa.C.S. Subch. 19D;

(vi) the conversion of the Corporation pursuant to 15 Pa.C.S. Subch. 19E.

6. VOTING RIGHTS. (a) The holders of record of shares of Series C Preferred Stock shall not be entitled to any voting rights except as hereinafter provided in this paragraph (6) or as otherwise provided by law.

LAW2:7469

19

21

(b) In the event that dividends payable to the holders of Series C Preferred Stock are in arrears and unpaid for the equivalent of six quarterly periods, the Board of Directors will be increased by two directors and the holders of Series C Preferred Stock, together with the holders of all other outstanding series of the Preferred Stock in respect of which such a default in payment of dividends as described hereinabove exists and is entitled to vote thereon, voting as a single class without regard to series, will be entitled to elect two directors of the expanded Board of Directors. Such entitlement shall continue until such time as all dividends in arrears on all of the Series C Preferred Stock at the time outstanding have been paid or declared and set aside for payment, whereupon such voting rights of the holders of the Series C Preferred Stock shall cease (and the respective terms of the two additional directors shall thereupon expire and the number of directors constituting the full board be decreased by two) subject to being again revived from time to time upon the reoccurrence of the conditions described in this paragraph (6) (b) as giving rise thereto.

At any time when the rights of holders of Series C Preferred Stock to elect two additional directors shall have so vested, the Corporation shall, upon the written request of the holders of record of not less than 10% of the Series C Preferred Stock then outstanding (or 10% of all of the shares of Preferred Stock having the right to vote for such directors in case holders of shares of other series of Preferred Stock shall also have the right to elect directors in such circumstances), call a special meeting of holders of the Series C Preferred Stock (and other series of Preferred Stock, if applicable) for the election of directors. In the case of a written request, the special meeting shall be held within 60 days after the delivery of the request, upon the notice provided by law and in the bylaws of the Corporation; except that the Corporation shall not be required to call such a special meeting if the request is received less than 120 days before the date fixed for the next ensuing annual meeting of stockholders of the Corporation.

Whenever the number of directors of the Corporation shall have been increased by two as provided in this paragraph (6) (b), the number as so increased may thereafter be further increased or decreased in such manner as may be permitted by the bylaws and without the vote of the holders of Series C Preferred Stock. No such action shall impair the right of the holders of Series C Preferred Stock to elect and to be represented by two directors as provided in this paragraph (6) (b).

The two directors elected as provided in this paragraph (6) (b) shall serve until the next annual meeting

LAW2:7469

20

22

of stockholders of the Corporation and until their respective successors shall be elected and qualified or the earlier expiration of their terms as provided in this paragraph (6) (b). No such director may be removed without the vote of holders of a majority of the shares of Series C Preferred Stock (or holders of a majority of shares of Preferred Stock having the right to vote in the election of such director in case holders of shares of other series of Preferred Stock shall also have the right to elect such director). If, prior to the expiration of the term of any such director, a vacancy in the office of such director shall occur, such vacancy shall, until the expiration of such term, in each case be filled by the remaining director elected as provided in this paragraph (6) (b) or, if none remains in office, by vote of the holders of record of a majority of the outstanding shares of Series C Preferred Stock (or holders of a majority of shares of Preferred Stock who are then entitled to participate in the election of such directors in case holders of shares of other series of Preferred Stock shall also have the right to elect such director).

(c) So long as any shares of the Series C Preferred Stock are outstanding (except when notice of the redemption or conversion of all outstanding shares of Series C Preferred Stock has been given pursuant to paragraph (4)(i) and shares of Common Stock and any necessary funds have been deposited in trust for such redemption or conversion pursuant to paragraph (4)(j)), the Corporation shall not, without the affirmative vote of the holders of at least 66-2/3% of the shares of Series C Preferred Stock and any other series of Preferred Stock entitled to vote thereon at the time outstanding, voting together as one class without regard to series, in person or by proxy, or by resolution adopted at an annual or special meeting called for the purpose, amend pursuant to the provisions of 15 Pa.C.S. Subchapter 19B or in the context of any other type of Fundamental Transaction any of the provisions of the Corporation's Restated Articles of Incorporation which would either (i) authorize any new class of Senior Securities or (ii) alter or change the rights, preferences or limitations of the Series C Preferred Stock so as to affect such rights, preferences or limitations in any material respect prejudicial to the holders of the Series C Preferred Stock.

(d) So long as any shares of the Series C Preferred Stock are outstanding (except when notice of the redemption or conversion of all outstanding shares of Series C Preferred Stock has been given pursuant to paragraph (4)(i) and shares of Common Stock and any necessary funds have been deposited in trust for such redemption or conversion pursuant to paragraph (4)(j)), the Corporation shall not, without the affirmative vote of the holders of at

LAW2:7469

21

23

least a majority of the shares of Series C Preferred Stock and any other series of Preferred Stock entitled to vote thereon at the time outstanding voting or consenting, as the case may be, voting together as one class without regard to series, given in person or by proxy, either in writing or by resolution adopted at an annual or special meeting called for the purpose, amend pursuant to the provisions of 15 Pa.C.S. Subchapter 19B or in the context of any other type of Fundamental Transaction any of the provisions of the Corporation's Restated Articles of Incorporation which would either (i) increase the total number of authorized shares of Preferred Stock or (ii) authorize or create any class of Parity Securities.

7. INCREASE IN SHARES. The number of shares of Series C Preferred Stock may, to the extent of the Corporation's authorized and unissued Preferred Stock, be increased by further resolution duly adopted by the Board of Directors and the filing of a statement with respect to shares with the Department of State of the Commonwealth of Pennsylvania.

8. LIMITATIONS. Except as may otherwise be required by law,

the shares of Series C Preferred Stock shall not have any powers, preferences or relative, participating, optional or other special rights other than those specifically set forth in this resolution (as such resolution may be amended from time to time) or otherwise in the Restated Articles of Incorporation of the Corporation.

LAW2:7469

22

RESTATED ARTICLES
OF
WESTINGHOUSE ELECTRIC CORPORATION

(As amended to May 5, 1994)

FIRST: The name of the corporation (hereinafter called the Corporation) is WESTINGHOUSE ELECTRIC CORPORATION.

SECOND: The location and post office address of the current registered office of the Corporation in the Commonwealth of Pennsylvania is Westinghouse Building, Gateway Center, Pittsburgh, Allegheny County, Pennsylvania 15222.

THIRD: The Corporation is subject to the Act of the General Assembly of the Commonwealth of Pennsylvania, known as the "Business Corporation Law", approved May 5, 1933, and any act amendatory thereof, supplementary thereto or substituted therefor, and the purposes for which the Corporation is organized are:

(1) To develop, build, manufacture, process and otherwise produce, to purchase, lease, exchange and otherwise acquire, and to hold, own, use, operate, repair, sell, lease, assign, distribute and otherwise deal in and dispose of structures, machinery, equipment, apparatus, appliances, devices, products, materials, articles, processes and systems for any application or purpose, whether for use for industrial, utility, transportation, broadcasting, communication, home, defense, consumer or other

LAW2:7499

-1-

2

purposes or applications, or combinations thereof, whatsoever, including but not limited to the following: for the generation, conversion, transmission, utilization, storage and control of any form of energy whatsoever (including but not limited to electrical, mechanical, chemical, atomic, nuclear, steam, thermal, mineral, gas, water and solar); for the handling, conditioning, heating, cooling, treatment, application or use of air and other gases, liquids and solids; for aerial, nautical, terrestrial, spatial or celestial operations, applications or navigation; for radio, television and all other forms of transmission, reception or communication; and for incorporation into or use in, on or about any establishment, building or structure of any kind or nature whatsoever; and any and all related engines, turbines, motors, parts, tools,

accessories and improvements thereof and supplies or materials pertaining or incidental to any of the above structures, machinery, equipment, apparatus, appliances, devices, products, materials, articles, processes and systems, of any kind or nature whatsoever.

(2) To develop, build, manufacture, process and otherwise produce, to purchase, lease, exchange and otherwise acquire, and to hold, own, use, operate, repair, sell, lease, assign, distribute and otherwise deal in and dispose of structures, machinery, equipment, apparatus, appliances, devices, products, materials, articles, processes, systems, goods, wares and merchandise of every kind, nature and description, and to engage in any industrial, manufacturing, mining, mercantile,

LAW2:7499

-2-

3

broadcasting, trading or other lawful business of any kind or character whatsoever.

(3) To conduct and carry on research work in, and to engage in any activity pertaining or incidental to, any scientific, technical or other field or fields, and to render services of a scientific, technical or other nature to any person, association, firm, corporation, country, state, municipality or other governmental division or subdivision.

(4) To purchase, lease, exchange and otherwise acquire all, or any part of, or any interest in, the properties, assets, business and goodwill of any one or more persons, associations, firms or corporations; to pay for the same in cash, property or its own or other securities; to hold, own, use, operate, reorganize and otherwise manage such properties, assets, business and goodwill; to sell, lease, assign, distribute, liquidate and otherwise deal in and dispose of the whole or any part thereof; and in connection therewith, to assume or guarantee performance of any liabilities, obligations or contracts of such persons, associations, firms or corporations.

(5) To develop, apply for, register, take licenses in respect of, purchase, lease, exchange and otherwise acquire, and to hold, own, use, operate, sell, lease, assign, grant licenses in respect of, manufacture under, exercise and otherwise deal in and dispose of any and all inventions, devices, formulae, technical or business information, including trade secrets, know-how, processes, improvements and modifications thereof, letters

LAW2:7499

-3-

4

patent and all rights connected therewith or appertaining thereto, copyrights, trademarks, trade names, trade symbols and other indications of origin and

ownership, franchises, licenses, concessions or other rights granted by or recognized under the laws of any country, state, municipality or other governmental division or subdivision.

(6) To purchase, exchange and otherwise acquire, and to hold, own, sell, assign, transfer, reissue, cancel and otherwise deal in and dispose of its own shares and securities, to such extent and in such manner and upon such terms as it may determine; provided that the Corporation shall not use its funds or property for the purchase of its own shares when such purchase shall be prohibited by law; and provided that shares of its capital stock which belong to the Corporation shall not be voted directly or indirectly.

(7) To enter into, make, perform and carry out contracts and agreements of every kind and description which may be necessary, appropriate, convenient or advisable in carrying out the purpose of the Corporation, with any person, association, firm, corporation, country, state, municipality or other governmental division or subdivision.

(8) To carry out any of or all the foregoing purposes as principal or agent and alone or with associates; and to execute from time to time such general or special powers of attorney to such person or persons as it may determine, granting to such person or persons such powers as it may deem proper, and to

LAW2:7499

-4-

5

revoke such powers of attorney as and when it may desire; and to conduct its business in any and all of its branches at one or more offices in the Commonwealth of Pennsylvania and elsewhere.

(9) To do everything necessary, suitable, convenient or proper for, or in connection with, or incident to, the accomplishment of any of the purposes herein enumerated, or which shall at any time appear conducive to or expedient for the accomplishment of any of such purposes, not inconsistent with the laws of the Commonwealth of Pennsylvania.

Except as otherwise expressly provided in this Article THIRD, none of the purposes set forth above in this Article THIRD shall be in any way limited or restricted by reference to, or inference from, any other of the purposes therein set forth, and each of said purposes shall be regarded as a separate and independent purpose.

The purposes set forth above shall be construed as powers as well as purposes; but the enumeration herein of certain powers is not intended to be exclusive of, or a waiver of, but shall be in addition to, the powers, rights or privileges granted or conferred by said "Business Corporation Law" and any other laws of the Commonwealth of Pennsylvania applicable to the Corporation that may now or hereafter be in force. Without limiting the generality of the foregoing, the Corporation shall have and may exercise the general powers which are now or may hereafter be enumerated in Section 302 of said "Business Corporation Law", or any act amendatory thereof, supplemental thereto or substituted

6

therefor, to the same extent as if such powers were set forth in full herein.

Except as otherwise provided by law or these Articles or the By-laws, the powers of the Corporation shall be exercised by its Board of Directors.

Nothing herein contained shall authorize or be construed as intended to authorize the Corporation to carry on any business or exercise any powers in any commonwealth, state, territory, or country which a business corporation organized under the laws of such commonwealth, state, territory or country could not carry on or exercise, except to the extent permitted or authorized by the laws of such commonwealth, state, territory or country; and notwithstanding any provision herein, the Corporation shall not be deemed to have the power to carry on or exercise within the Commonwealth of Pennsylvania any business whatsoever the carrying on or exercising of which would prevent the Corporation from being classified as a business corporation under said "Business Corporation Law", or any act amendatory thereof, supplemental thereto or substituted therefor.

FOURTH: The term of existence of Corporation shall be perpetual.

FIFTH: A. The total number of shares of all classes of stock which the Corporation shall have authority to issue is 505 million consisting of (1) 25 million shares of Preferred Stock, par value \$1.00 per share ("Preferred Stock"), and (2) 630

7

million shares of Common Stock, par value \$1.00 per share ("Common Stock").

B. The Board of Directors is hereby expressly authorized to provide, out of the unissued shares of Preferred Stock, for series of Preferred Stock. Before any share of any such series is issued, the Board shall fix, and hereby is expressly empowered to fix, the following provisions of the shares thereof:

(1) the terms of such series, the number of shares to constitute such series and the stated value thereof if different from the par value thereof;

(2) whether the shares of such series shall have voting rights in addition to any voting rights provided by law and, if so, the terms of such voting rights, which may be general or limited;

(3) the dividends, if any, payable on such series, whether any such dividends shall be cumulative and, if so, from what dates, the conditions and dates upon which such dividends shall be payable, the preference

or relation which such dividends shall bear to the dividends payable on any shares of stock of any other class or any other series of Preferred Stock;

(4) whether the shares of such series shall be subject to redemption at the election of the Corporation or the holders of such series and, if so, the times, prices and other conditions of such redemption;

(5) the amount or amounts payable upon shares of such series upon, and the rights of the holders of such series in the

LAW2:7499

-7-

8

event of, voluntary or involuntary liquidation, dissolution or winding up, or upon any distribution of the assets of the Corporation;

(6) whether the shares of such series shall be subject to the operation of a retirement or sinking fund and, if so, the extent to and manner in which any such retirement or sinking fund shall be applied to the purchase or redemption of the shares of such series for retirement or other corporate purposes and the terms and provisions relative to the operation thereof;

(7) whether the shares of such series shall be convertible into, or exchangeable for, shares of stock of any other class or any other series of Preferred Stock or any other securities and, if so, the price or prices or the rate or rates of conversion or exchange and the method, if any, of adjusting the same, and any other terms and conditions of conversion or exchange;

(8) the limitations and restrictions, if any, to be effective while any shares of such series are outstanding upon the payment of dividends or the making of other distributions on, or upon the purchase, redemption or other acquisition by the Corporation of, the Common Stock or shares of stock of any other class or any other series of Preferred Stock;

(9) the conditions or restrictions, if any, upon the creation of indebtedness of the Corporation or upon the issue of any additional stock, including additional shares of any other series of Preferred Stock or of any other class of stock; and

LAW2:7499

-8-

9

(10) any other powers, preferences and relative, participating, optional and other special rights, and any qualifications, limitations and restrictions thereof.

C. The powers, preferences and relative, participating, optional

and other special rights of each series of Preferred Stock, and the qualifications, limitations or restrictions thereof, if any, may differ from those of any and all other series of Preferred Stock at any time outstanding. All shares of any one series of Preferred Stock shall be identical in all respects with all other shares of such series, except that shares of any one series issued at different times may differ as to the dates from which dividends thereon shall be cumulative.

D. Subject to the provisions of this Article FIFTH and actions taken by the Board of Directors pursuant to this Article FIFTH:

(1) such dividends (whether in cash, stock or otherwise) as may be determined by the Board of Directors may be declared and paid on the Common Stock from time to time in accordance with the laws of the Commonwealth of Pennsylvania; and the holders of the Preferred Stock shall not be entitled to participate in any such dividends whether payable in cash, stock or otherwise;

(2) voting power shall be exclusively vested in the Common Stock;

(3) dividends upon shares of any class of the Corporation shall be payable only out of assets legally available

LAW2:7499

-9-

10

for the payment of such dividends, and the rights of the holders of the Preferred Stock of all series and of the holders of the Common Stock in respect of dividends shall at all times be subject to the power of the Board of Directors, which is hereby expressly vested in said Board, from time to time to set aside such reserves and to make such other provisions, if any, as said Board shall deem to be necessary or advisable for working capital, for additions, improvements and betterments to plant and equipment, for expansion of the Corporation's business (including the acquisition of real and personal property for that purpose), for plans for maintaining employment at the plants of the Corporation and also for other plans for the benefit of employees generally, and for any other purposes of the Corporation whether or not similar to those herein mentioned;

(4) holders of Preferred Stock and holders of Common Stock shall not have any preemptive, preferential or other right to subscribe for or purchase or acquire any shares of any class or any other securities of the Corporation, whether now or hereafter authorized, and whether or not convertible into, or evidencing or carrying the right to purchase, shares of any class or any other securities now or hereafter authorized, and whether the same shall be issued for cash, services or property, or by way of dividend or otherwise, other than such right, if any, as the Board of Directors in its discretion from time to time may determine. If the Board of Directors shall offer to the holders of the Preferred Stock or the holders of the Common Stock,, or

11

any of them, any such shares or other securities of the Corporation, such offer shall not in any way constitute a waiver or release of the right of the Board of Directors subsequently to dispose of other portions of said shares or securities without so offering the same to said holders.

(5) the shares of Preferred Stock and the shares of Common Stock may be issued for such consideration and for such corporate purposes as the Board of Directors may from time to time determine;

(6) subject to the provisions of the By-laws of the Corporation as from time to time amended, with respect to the closing of the transfer books or the fixing of a record date for the determination of stockholders entitled to vote, each holder of record of shares of any class of the Corporation shall be entitled to one vote, on each matter submitted to a vote at a meeting of stockholders and in respect of which shares of such class shall be entitled to be voted, for every share of such class standing in his name on the books of the Corporation;

(7) in each election of directors no stockholder shall have any right to cumulate his votes and cast them for one candidate or distribute them among two or more candidates.

E. 1. DESIGNATION AND NUMBER OF SHARES. The shares of such series shall be designated as "Series A Participating Cumulative Preferred Stock" (the "Series A Preferred Stock"). The par value of each share of the Series A Preferred Stock shall be \$1. The number of shares initially constituting the Series A

12

Preferred Stock shall be 3,000,000; provided, however, that, if more than a total of 3,000,000 shares of Series A Preferred Stock shall be issuable upon the exercise of Rights (the "Rights") issued pursuant to the Rights Agreement dated as of December 7, 1988, between the Corporation and Mellon Bank, N.A., as Rights Agent (the "Rights Agreement"), the Board of Directors of the Corporation, pursuant to Section 602(B) of the Pennsylvania Business Corporation Law, shall direct by resolution or resolutions that a certificate be properly executed, acknowledged, filed and recorded, in accordance with the provisions of Section 10 thereof, providing for the total number of shares of Series A Preferred Stock authorized to be issued to be increased (to the extent that the Certificate of Incorporation then permits) to the largest number of whole shares (rounded up to the nearest whole number) issuable upon exercise of

such Rights.

2. DIVIDENDS OR DISTRIBUTIONS. (a) Subject to the prior and superior rights of the holders of shares of any other series or Preferred Stock or other class of capital stock of the Corporation ranking prior and superior to the shares of Series A Preferred Stock with respect to dividends, the holders of shares of the Series A Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors, out of the assets of the Corporation legally available therefore, (1) quarterly dividends payable in cash on the first day of March, June, September and December in each year (each such date being

LAW2:7499

-12-

13

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 a fraction of a share of Series A Preferred Stock, in the amount of \$10 per whole share (rounded to the nearest cent) less the amount of all cash dividends declared on the Series A Preferred Stock pursuant to the following clause (2) 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, and (2) dividends payable in cash on the payment date for each cash dividend declared on the Common Stock in an amount per whole share (rounded to the nearest cent) equal to the Formula Number then in effect times the cash dividends then to be paid on each share of Common Stock. In addition, if the Corporation shall pay any dividend or make any distribution on the Common Stock payable in assets, securities or other forms of noncash consideration (other than dividends or distributions solely in shares of Common Stock), then, in each such case, the Corporation shall simultaneously pay or make on each outstanding whole share of Series A Preferred Stock a dividend or distribution in like kind equal to the Formula Number then in effect times such dividend or distribution on each share of the Common Stock. As used herein, the "Formula Number" shall be 100; provided, however, that, if at any time after December 17, 1988, the Corporation shall (i) declare or pay any dividend on the Common Stock payable in shares of Common Stock or make any

LAW2:7499

-13-

14

distribution on the Common Stock in shares of Common Stock, (ii) subdivided (by a stock split or otherwise) the outstanding shares of Common Stock into a larger number of shares of Common Stock or (iii) combine (by a reverse stock

split or otherwise) the outstanding shares of Common Stock into a smaller number of shares of Common Stock, then in each such event the Formula Number shall be adjusted to a number determined by multiplying the Formula Number in effect immediately prior to such event by a fraction, the numerator of which is the number of shares of Common Stock that are outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that are outstanding immediately prior to such event (and rounding the result to the nearest whole number); and provided further that, if at any time after December 17, 1988, the Corporation shall issue any shares of its capital stock in a reclassification or change of the outstanding shares of Common Stock (including any such reclassification or change in connection with a merger in which the Corporation is the surviving corporation), then in each such event the Formula Number shall be appropriately adjusted to reflect such reclassification or change.

(b) The Corporation shall declare a dividend or distribution on the Series A Preferred Stock as provided in Section 2(a) immediately prior to or at the same time it declares a dividend or distribution on the Common Stock (other than a dividend or distribution solely in shares of Common Stock);

LAW2:7499

-14-

15

provided, however, that, in the event no dividend or distribution (other than a dividend or distribution in shares of Common Stock) 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 \$10 per share on the Series A Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date. The Board of Directors may fix a record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a dividend or distribution declared thereon, which record date shall be the same as the record date for any corresponding dividend or distribution on the Common Stock.

(c) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Preferred Stock from and after the Quarterly Dividend Payment Date next preceding the date of original issue of such shares of Series A Preferred Stock; provided, however, that dividends on such shares which are originally issued after the record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a quarterly dividend and on or prior to the next succeeding Quarterly Dividend Payment Date shall begin to accrue and be cumulative from and after such Quarterly Dividend Payment Date. Notwithstanding the foregoing, dividends on shares of Series A Preferred Stock which are originally issued prior to the record date for the first Quarterly Dividend Payment shall be calculated as if cumulative from and after the March 1, June 1, September 1

16

or December 1, as the case may be, next preceding the date of original issuance of such shares. 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.

(d) So long as any shares of the Series A Preferred Stock are outstanding, no dividends or other distributions shall be declared, paid or distributed, or set aside for payment or distribution, on the Common Stock unless, in each case, the dividend required by this Section 2 to be declared on the Series A Preferred Stock shall have been declared.

(e) The holders of the shares of Series A Preferred Stock shall not be entitled to receive any dividends or other distributions except as provided herein.

3. VOTING RIGHTS. The holders of shares of Series A Preferred Stock shall have the following voting rights:

(a) Each holder of Series A Preferred Stock shall be entitled to a number of votes equal to the Formula Number then in effect, for each share of Series A Preferred Stock held of record on each matter on which holders of the Common Stock or stockholders generally are entitled to vote, multiplied by the maximum number of votes per share which the holders of the Common Stock or stockholders generally then have with respect to such matter.

17

(b) Except as otherwise provided herein or by applicable law, the holders of shares of Series A Preferred Stock and the holders of shares of Common Stock shall vote together as one class for the election of directors of the Corporation and on all other matters submitted to a vote of stockholders of the Corporation.

(c) If, at the time of any annual meeting of stockholders for the election of directors, the equivalent of six quarterly dividends (whether or not consecutive) payable on any share or shares of Series A Preferred Stock are in default, the number of directors constituting the Board of Directors of the Corporation shall be increased by two. In addition to voting together with the holders of Common Stock for the election of other directors of the Corporation, the holders of record of the Series A Preferred Stock, voting separately as a class to the exclusion of the holders of Common Stock, shall be entitled at said meeting of stockholders (and at each subsequent annual meeting of stockholders), unless all dividends in arrears

have been paid or declared and set apart for payment prior thereto, to vote for the election of two directors of the Corporation, the holders of any Series A Preferred Stock being entitled to cast a number of votes per share of Series A Preferred Stock equal to the Formula Number. Until the default in payments of all dividends which permitted the election of said directors shall cease to exist any director who shall have been so elected pursuant to the next preceding sentence may be removed at any

LAW2:7499

-17-

18

time, either with or without cause, only by the affirmative vote of the holders of the shares of Series A Preferred Stock at the time entitled to cast a majority of the votes entitled to be cast for the election of any such director at a special meeting of such holders called for that purpose, and any vacancy thereby created may be filled by the vote of such holders. If and when such default shall cease to exist, the holders of the Series A Preferred Stock shall be divested of the foregoing special voting rights, subject to revesting in the event of each and every subsequent like default in payments of dividends. Upon the termination of the foregoing special voting rights, the terms of office of all persons who may have been elected directors pursuant to said special voting rights shall forthwith terminate, and the number of directors constituting the Board of Directors shall be reduced by two. The voting rights granted by this Section 3(c) shall be in addition to any other voting rights granted to the holders of the Series A Preferred Stock in this Section 3.

(d) Except as provided herein, in Section 11 below or by applicable 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 authorizing or taking any corporate action.

4. CERTAIN RESTRICTIONS. (a) Whenever quarterly dividends or other dividends or distributions payable on the

LAW2:7499

-18-

19

Series A Preferred Stock as provided in Section 2 hereof 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 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 A 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 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 on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A 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,

LAW2:7499

-19-

20

liquidation or winding up) to the Series A Preferred Stock; or

(iv) 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.

5. LIQUIDATION RIGHTS, FAIR VALUE FOR PURPOSES OF PENNSYLVANIA ANTI-TAKEOVER STATUTE. (a) Upon the liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, 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

21

Preferred Stock shall have received an amount equal to the accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, plus an amount equal to the greater of (x) \$100 per share or (y) an aggregate amount per share equal to the Formula Number then in effect times the aggregate amount to be distributed per share to holders of Common Stock, or (2) to the holders 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 other 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.

(b) Notwithstanding anything to the contrary in this certificate, in case any Controlling Person (as defined from time to time in Section 910 of 15 Pennsylvania Consolidated Statutes) shall be required to purchase any shares of Series A Preferred Stock pursuant to such Section 910, the amount that is determined to represent the "fair value" (as that term is used in such Section 910) of such shares shall be an amount per share equal to the Formula Number then in effect times the aggregate amount per share that such Controlling Person is required to pay to purchase any share of Common Stock pursuant to such Section 910.

6. CONSOLIDATION, MERGER, ETC. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common

22

Stock are exchanged for or changed into other stock or securities, cash or any other property, then in any such case the then outstanding shares of Series A Preferred Stock shall at the same time be similarly exchanged or changed in an amount per share equal to the Formula Number then in effect times the aggregate amount of stock, securities, cash or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is exchanged or changed.

7. NO REDEMPTION; NO SINKING FUND. (a) The shares of Series A Preferred Stock shall not be subject to redemption by the Corporation or at the option of any holder of Series A Preferred Stock; provided, however, that the Corporation may purchase or otherwise acquire outstanding shares of Series A Preferred Stock in the open market or by offer to any holder or holders of shares of Series A Preferred Stock in accordance with the provisions of Section 4(a)(iv) hereof.

(b) The shares of Series A Preferred Stock shall not be subject to or entitled to the operation of a retirement or sinking fund.

8. RANKING. The Series A Preferred Stock shall rank

junior to all other series of Preferred Stock of the Corporation, unless the Board of Directors shall specifically determine otherwise in fixing the powers, preferences and relative, participating, optional and other special rights of the shares of such series and the qualifications, limitations and restrictions thereof.

LAW2:7499

-22-

23

9. FRACTIONAL SHARES. The Series A Preferred Stock shall be issuable upon exercise of the Rights issued pursuant to the Rights Agreement in whole shares or in any fraction of a share that is one one-hundredth (1/100th) of a share or any integral multiple of such fraction which shall entitle the holder, in proportion to such holder's fractional shares, to receive dividends, exercise voting rights, participate in distributions and to have the benefit of all other rights of holders of Series A Preferred Stock. In lieu of fractional shares, the Corporation, prior to the first issuance of a share or a fraction of a share of Series A Preferred Stock, may elect (1) to issue certificates evidencing such authorized fraction of a share of Series A Preferred Stock or (2) to issue depository receipts evidencing such authorized fraction of a share of Series A preferred Stock pursuant to an appropriate agreement between the Corporation and a depository selected by the Corporation; provided that such agreement shall provide that the holders of such depository receipts shall have all the rights, privileges and preferences to which they are entitled as holders of the Series A Preferred Stock.

10. 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, without designation as to

LAW2:7499

-23-

24

series until such shares are once more designated as part of a particular series by the Board of Directors pursuant to the provisions of Article FIFTH of the Restated Articles of Incorporation.

11. AMENDMENT. None of the powers, preferences and relative, participating, optional and other special rights of the Series A Preferred Stock as provided herein or in the Restated Articles of Incorporation shall be amended in any manner which would alter or change the powers, preferences, rights or privileges of the holders of Series A Preferred Stock so

as to affect them adversely without the affirmative vote of the holders of at least 80% of the outstanding shares of Series A Preferred Stock, voting as a separate class; provided, however, that no such amendment approved by the holders of at least 80% of the outstanding shares of Series A Preferred Stock shall be deemed to apply to the powers, preferences, rights or privileges of any holder of shares of Series A Preferred Stock originally issued upon exercise of the Rights after the time of such approval without the approval of such holder.

F.1. DESIGNATION. The shares of such series shall be designated as "Series B Conversion Preferred Stock" (the "Series B Preferred Stock") consisting of 8,222,500 shares.

2. RANK. The Series B Preferred Stock shall, with respect to dividend rights and rights upon liquidation, dissolution and winding up, rank prior to the Common Stock, par value \$1.00 per share (the "Common Stock"), and the Series A Participating

LAW2:7499

-24-

25

Cumulative Preferred Stock, par value \$1.00 per share (the "Series A Preferred Stock"), of the Corporation. All equity securities of the Corporation to which the Series B Preferred Stock ranks prior, whether with respect to dividends or upon liquidation, dissolution, winding up or otherwise, including the Common Stock and the Series A Preferred Stock, are collectively referred to herein as the "Junior Securities;" all equity securities of the Corporation with which the Series B Preferred Stock ranks on a parity are collectively referred to herein as the "Parity Securities;" and all equity securities of the Corporation (other than convertible debt securities) to which the Series B Preferred Stock ranks junior are collectively referred to herein as the "Senior Securities." The Series B Preferred Stock shall be subject to the creation of Junior Securities, Parity Securities and Senior Securities, subject to the limitations thereon provided for in paragraphs (6)(c) and (6)(d).

3. DIVIDENDS. (a) The holders of outstanding shares of the 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 payment of dividends, cumulative preferential cash dividends accruing at the per share rate of \$1.53 per quarter and no more, payable in arrears on the first day of each March, June, September and December, respectively (each such date being hereinafter referred to as a "Dividend Payment Date"), commencing on September 1, 1992. If any Dividend Payment Date is not a business day (as defined in paragraph

LAW2:7499

-25-

(4)(h)(i)), then the Dividend Payment Date shall be on the next succeeding day that is a business day. Each such dividend will be payable to holders of record as they appear on the stock books of the Corporation on such record dates, not less than 10 nor more than 90 days preceding the payment dates thereof, as shall be fixed by the Board of Directors. Dividends on a share of Series B Preferred Stock shall accrue (whether or not the Corporation has earnings, whether or not there are funds legally available for the payment of such dividends and whether or not such dividends are declared) on a daily basis from the previous Dividend Payment Date, except that the first dividend shall accrue from the date of issuance of such share of Series B Preferred Stock. Accrued and unpaid dividends shall not bear interest. Dividends will cease to accrue in respect of the Series B Preferred Stock on the Mandatory Conversion Date (as defined in paragraph (4)(a)) or on the Settlement Date (as defined in paragraph (4)(h)(vi)), in the event of their earlier conversion, and will cease to accrue on the date of their earlier redemption pursuant to paragraph (4)(c) unless the Corporation shall default in delivering the shares of Common Stock and cash, if any, payable by the corporation upon such redemption. Dividends (or cash amounts equal to accrued and unpaid dividends) payable on the Series B Preferred Stock for any period shorter than a quarterly dividend period shall be computed on the basis of a 360-day year of twelve 30-day months.

LAW2:7499

-26-

(b) Unless full cumulative dividends, if any, accrued on the Series B Preferred Stock have been or contemporaneously are declared and paid or declared and a sum set apart sufficient for such payment through the most recent Dividend Payment Date, or the obligation of the Corporation with respect to the payment of such dividends shall have been satisfied in full by the distribution of shares of Common Stock as contemplated by paragraph (4)(a), then, whether or not the Mandatory Conversion Date has occurred, (i) no full dividend shall be declared by the Board of Directors or paid or set apart for payment by the Corporation or other distribution declared or made on any Parity Securities, (ii) no dividend shall be declared or paid or set aside for payment or other distribution declared or made upon the Common Stock, the Series A Preferred Stock or upon any other Junior Securities (other than a dividend or distribution paid in shares of, or warrants, rights or options exercisable for or convertible into, Common Stock, the Series A Preferred Stock or any other Junior Securities) and (iii) no Common Stock, Series A Preferred Stock or any other Junior Securities shall be redeemed, purchased or otherwise acquired for any consideration, nor shall any moneys be paid to or made available for a sinking fund for the redemption of any shares of any such series or class by the Corporation, except by conversion into or in exchange for Junior Securities. If any dividends are not paid or set apart in full, as aforesaid, with respect to the Series B Preferred Stock and any Parity Securities, all dividends declared with respect to the

28

Series B Preferred Stock and any Parity Securities shall be declared pro rata so that the amount of dividends declared per share on the Series B Preferred Stock and such Parity Securities shall in all cases bear to each other the same ratio that accrued dividends per share on the Series B Preferred Stock and such Parity Securities bear to each other. Holders of the shares of the Series B Preferred Stock shall not be entitled to any dividends, whether payable in cash, property or stock, in excess of full cumulative dividends as provided in paragraph (3) (a).

(c) Subject to the foregoing provisions of this paragraph (3) and paragraph (4) (d), the Board of Directors may declare and the Corporation may pay or set apart for payment dividends and other distributions on any of the Junior Securities or Parity Securities, and may redeem, purchase or otherwise retire any Junior securities or Parity Securities, and the holders of the shares of the Series B Preferred Stock shall not be entitled to share therein.

(d) Any dividend payment made on shares of the Series B Preferred Stock shall first be credited against the earliest accrued but unpaid dividend due with respect to shares of the Series B Preferred Stock.

(e) All dividends paid with respect to shares of the Series B Preferred Stock pursuant to this paragraph (3) shall be paid pro rata to the holders entitled thereto.

(f) Holders of shares of the Series B Preferred Stock shall be entitled to receive the dividends provided for in this

29

paragraph (3) in preference to and in priority over any dividends upon any of the Junior Securities.

4. REDEMPTIONS OR CONVERSIONS. (a) AUTOMATIC CONVERSION ON MANDATORY CONVERSION DATE. Unless earlier called for redemption in accordance with the provisions hereof, on September 1, 1995 (the "Mandatory Conversion Date"), each outstanding share of the Series B Preferred Stock shall automatically convert into:

(i) shares of Common Stock at the Common Equivalent Rate (determined as provided in paragraph (4) (d)) in effect on the Mandatory Conversion Date; and (ii) the right to receive an amount in cash equal to all accrued and unpaid dividends on such share of Series B Preferred Stock to and including the Mandatory Conversion

Date, whether or not declared, out of funds legally available for the payment of dividends (and dividends shall cease to accrue on such share as of the Mandatory Conversion Date).

The Corporation shall at all times reserve and keep available, free from preemptive rights, out of the aggregate of its authorized but unissued Common Stock and/or its issued Common Stock held in its treasury for the purpose of effecting any conversion of the Series B Preferred Stock pursuant to this paragraph (4)(a) ("Mandatory Conversion"), the full number of shares of Common Stock then deliverable upon any such conversion of all outstanding shares of Series B Preferred Stock.

LAW2:7499

-29-

30

The conversion of each share of Series B Preferred Stock into the right to receive an amount in cash equal to all accrued and unpaid dividends on such share of Series B Preferred Stock (the "Accrued Dividend Amount") will occur upon Mandatory Conversion whether or not the Corporation has earnings and whether or not such dividends are declared; PROVIDED, HOWEVER, that to the extent that funds are not legally available for the payment of the Accrued Dividend Amount upon Mandatory Conversion, the holders of Series B Preferred Stock shall be entitled to receive, and the corporation shall distribute to such holders, on the fifth business day next succeeding the Mandatory Conversion Date, in lieu of payment in cash of the Accrued Dividend Amount, a number of shares of Common Stock equal to 110% of the Accrued Dividend Amount divided by the Current Market Price (as defined in paragraph (4)(d)(v)) of the Common Stock determined as of the second Trading Date (as defined in paragraph (4)(h)(vii)) prior to the Mandatory Conversion Date, except that (i) no such distribution shall be made by the Corporation if, prior to the date on which the Corporation is required to make such distribution, the Corporation shall have made payment in full of the Accrued Dividend Amount in cash and (ii) if the Corporation does not have a sufficient number of authorized but unissued shares of Common Stock and shares of Common Stock held in its treasury not reserved for other corporate purposes to make such distribution in full, the Corporation shall make such distribution to the fullest extent possible, pro rata to the

LAW2:7499

-30-

31

holders of Series B Preferred Stock entitled thereto (as nearly as may be practicable without creating fractional shares), and the holders of Series B Preferred Stock shall thereafter have the right to receive, and the Corporation

shall pay to such holders as promptly as possible, the remainder in cash or shares of Common Stock or a combination thereof, on the same terms set forth in this paragraph 4(a) for the payment in cash of amounts equal to accrued and unpaid dividends and for the distribution of shares of Common Stock in lieu of payment of such amounts in cash.

(b) AUTOMATIC CONVERSION UPON THE OCCURRENCE OF CERTAIN EVENTS. Either:

(i) immediately prior to the effectiveness of an amendment of the articles, merger or consolidation, share exchange, division or conversion of the Corporation that results in the conversion or exchange of Common Stock into, or the right of the holders thereof to receive, in lieu of or in addition to their shares of Common Stock, other securities or other property (whether of the Corporation or any other entity) (any amendment, merger, consolidation, share exchange, division or conversion is referred to herein as a "Fundamental Transaction"), or

(ii) immediately prior to the close of business on the business day immediately preceding the Distribution Date (as defined in paragraph (4) (h) (iv)) (the occurrence of the

LAW2:7499

-31-

32

Distribution Date is referred to herein as the "Distribution Date Event"),

each outstanding share of the Series B Preferred Stock shall automatically convert into:

(A) shares of Common Stock at the Common Equivalent Rate in effect immediately prior to the effectiveness of such Fundamental Transaction or immediately prior to the close of business on the business day immediately preceding such Distribution Date; plus

(B) the right to receive an amount in cash equal to all accrued and unpaid dividends on such share of the Series B Preferred Stock to and including the Settlement Date (as defined in paragraph (4) (h) (vi)), whether or not declared, out of funds legally available for the payment of dividends (and dividends shall cease to accrue on such share as of the Settlement Date); plus

(C) the right to receive an amount of cash initially equal to \$9.72, declining by \$0.008380 on each day following the date of issuance of the Series B Preferred Stock (computed on the basis of a 360-day year of twelve 30-day months) to \$.52 on July 1, 1995, and equal to zero thereafter, in each case determined with reference to the Settlement Date, out of funds legally available therefor, unless sooner redeemed.

At the option of the Corporation, it may deliver on the Settlement Date in lieu of some or all of the cash consideration

33

described in clauses (B) and (C) above, pro rata to the holders of Series B Preferred Stock entitled thereto, a number of shares of Common Stock to be determined by dividing the amount of cash consideration that the Corporation has elected to pay in Common Stock by the Current Market Price (as defined in paragraph (4)(d)(v)) of the Common Stock determined, in the case of a Fundamental Transaction, as of the second Trading Date (as defined in paragraph (4)(h)(vii)) immediately preceding the Notice Date (as defined in paragraph (4)(h)(v)) and, in the case of a Distribution Date Event, as of the second Trading Date immediately preceding the Distribution Date.

(c) RIGHT TO CALL FOR REDEMPTION. At any time and from time to time prior to the Mandatory Conversion Date, the Corporation shall have the right to call, in whole or in part, the outstanding shares of the Series B Preferred Stock for redemption. Upon the redemption date, the Corporation shall deliver to the holders thereof in exchange for each such share called for redemption, (i) a number of shares of Common Stock equal to the Call Price (as defined in paragraph (4)(h)(ii)) in effect on the redemption date divided by the Current Market Price of the Common Stock determined as of the second Trading Date immediately preceding the Notice Date and (ii) an amount in cash equal to all accrued and unpaid dividends on such share of Series B Preferred Stock to and including the redemption date (and dividends shall cease to accrue on such share as of such date), whether or not declared, out of funds legally available for the

34

payment of dividends. If fewer than all the outstanding shares of Series B Preferred Stock are to be called for redemption, shares to be redeemed shall be selected by the Corporation from outstanding shares of Series B Preferred Stock not previously redeemed by lot or pro rata (as nearly as may be practicable without creating fractional shares) or by any other method determined by the Board of Directors of the Corporation in its sole discretion to be equitable.

(d) COMMON EQUIVALENT RATE ADJUSTMENTS. The Common Equivalent Rate to be used to determine the number of shares of Common Stock to be delivered on the conversion of the Series B Preferred Stock into shares of Common Stock pursuant to paragraphs (4)(a) or (b) shall be initially four shares of Common Stock for each share of Series B Preferred Stock; PROVIDED, HOWEVER, that such Common Equivalent Rate shall be subject to adjustment from time to time as provided below in this paragraph (4)(d). All adjustments to the Common Equivalent Rate shall be calculated to the nearest 1/100th of a

share of Common Stock. Such rate in effect at any time is herein called the "Common Equivalent Rate."

- (i) If the Corporation shall:
 - (A) pay a dividend or make a distribution with respect to Common Stock in shares of Common Stock,
 - (B) subdivide or split its outstanding shares of Common Stock into a greater number of shares,

LAW2:7499

-34-

35

- (C) combine its outstanding shares of Common Stock into a smaller number of shares, or
- (D) issue by reclassification of its shares of Common Stock any shares of Common Stock of the Corporation other than in a Fundamental Transaction described in paragraph (4) (b) (i),

then, in any such event, the Common Equivalent Rate in effect immediately prior thereto shall be adjusted so that the holder of a share of the Series B Preferred Stock shall be entitled to receive on the conversion of such share of the Series B Preferred Stock, the number of shares of Common Stock which such holder would have owned or been entitled to receive after the happening of any of the events described above had such share of the Series B Preferred Stock been converted at the Common Equivalent Rate in effect immediately prior to such event or any record date with respect thereto. Such adjustment shall become effective at the opening of business on the business day next following the record date for determination of stockholders entitled to receive such dividend or distribution in the case of a dividend or distribution, and shall become effective immediately after the effective date in case of a subdivision, split, combination or reclassification; and any shares of Common Stock issuable in payment of a dividend shall be deemed to have been issued immediately prior to the close of business on the record date for such dividend for purposes of calculating the number of

LAW2:7499

-35-

36

outstanding shares of Common Stock under clauses (ii) and (iii) below. Such adjustment shall be made successively.

(ii) If the Corporation shall, after the date hereof, issue rights or warrants to all holders of its Common Stock entitling them (for a period not exceeding 45 days from the date of such issuance) to subscribe for or purchase

shares of Common Stock at a price per share less than the Current Market Price of the Common Stock (determined pursuant to paragraph (4) (d) (v)) on the record date for the determination of stockholders entitled to receive such rights or warrants, then in each case the Common Equivalent Rate shall be adjusted by multiplying the Common Equivalent Rate in effect immediately prior to the date of issuance of such rights or warrants by a fraction, of which the numerator shall be the number of shares of Common Stock outstanding on the date of issuance of such rights or warrants, immediately prior to such issuance, plus the number of additional shares of Common Stock offered for subscription or purchase pursuant to such rights or warrants, and of which the denominator shall be the number of shares of Common Stock outstanding on the date of issuance of such rights or warrants, immediately prior to such issuance, plus the number of shares of Common Stock which the aggregate offering price of the total number of shares of Common Stock so offered for subscription or purchase pursuant to such rights or warrants would purchase at such Current Market Price (determined by multiplying such total number of shares by the exercise price of such rights or warrants and dividing the

LAW2:7499

-36-

37

product so obtained by such Current Market Price). Such adjustment shall become effective at the opening of business on the business day next following the record date for the determination of stockholders entitled to receive such rights or warrants. To the extent that shares of Common Stock are not delivered after the expiration of such rights or warrants, the Common Equivalent Rate shall be readjusted to the Common Equivalent Rate which would then be in effect had the adjustments made upon the issuance of such rights or warrants been made upon the basis of delivery of only the number of shares of Common Stock actually delivered. Such adjustment shall be made successively.

(iii) If the Corporation shall pay a dividend or make a distribution to all holders of its Common Stock of evidence of its indebtedness or other assets (including shares of capital stock of the Corporation (other than Common Stock) but excluding any distributions and dividends referred to in clause (i) above or any cash dividends), or shall issue to all holders of its Common Stock rights or warrants to subscribe for or purchase any of its securities (other than those referred to in clause (ii) above), then in each such case, the Common Equivalent Rate shall be adjusted by multiplying the Common Equivalent Rate in effect on the record date mentioned below by a fraction, of which the numerator shall be the Current Market Price of the Common Stock (determined pursuant to paragraph (4) (d) (v)) on the record date for the determination of stockholders entitled to receive such

38

dividend or distribution, and of which the denominator shall be such Current Market Price per share of Common Stock less the fair value (as determined by the Board of Directors of the Corporation, whose determination shall be conclusive) as of such record date of the portion of the assets or evidences of indebtedness so distributed, or of such subscription rights or warrants, applicable to one share of Common Stock. Such adjustment shall become effective on the opening of business on the business day next following the record date for the determination of stockholders entitled to receive such dividend or distribution.

(iv) Anything in this paragraph (4) notwithstanding, the Corporation shall be entitled to make such upward adjustments in the Common Equivalent Rate, in addition to those required by this paragraph (4), as the corporation in its sole discretion may determine to be advisable, in order that any stock dividends, subdivision of shares, distributions of rights to purchase stock or securities, or distributions of securities convertible into or exchangeable for stock (or any transaction which could be treated as any of the foregoing transactions pursuant to Section 305 of the Internal Revenue Code of 1986, as amended) hereafter made by the Corporation to its stockholders shall not be taxable. If the Corporation determines that an adjustment to the Common Equivalent Rate should be made, an adjustment shall be made effective as of such date as is determined by the Board of Directors of the Corporation. The determination of the Board of

39

Directors of the Corporation as to whether an adjustment to the Common Equivalent Rate should be made pursuant to the foregoing provisions of this paragraph (4)(d)(iv), and, if so, as to what adjustment should be made and when, shall be conclusive, final and binding on the Corporation and all stockholders of the Corporation.

(v) As used in this paragraph (4), the "Current Market Price" of the Common Stock on any date shall be the average of the daily Closing Prices (as defined in paragraph (4)(h)(iii)) for the five consecutive Trading Dates ending on and including the date of determination of the Current Market Price; provided, however, that if the Closing Price for the Trading Date next following such five-day period (the "next-day closing price") is less than 95% of such average, then the Current Market Price per share of Common Stock on such date of determination shall be the next-day closing price; and provided, further, that, if any event that results in an adjustment of the Common Equivalent Rate occurs during such five-day period or, for the purposes of calculating the Current Market Price in connection with any redemption or conversion of Series B Preferred Stock or any determination of an amount in

cash payable in lieu of a fraction of a share of Common Stock, if any event that results in an adjustment of the Common Equivalent Rate occurs during the period beginning on the first day of such five-day period and ending on the applicable redemption or conversion date, the Current Market

LAW2:7499

-39-

40

Price as determined pursuant to the foregoing will be appropriately adjusted to reflect the occurrence of such event.

(vi) In any case in which paragraph (4)(d) shall require that an adjustment as a result of any event become effective at the opening of business on the business day next following a record date and the date fixed for conversion pursuant to paragraphs (4)(a) and (b) occurs after such record date, but before the occurrence of such event the Corporation may in its sole discretion elect to defer the following until after the occurrence of such event: (A) issuing to the holder of any converted shares of the Series B Preferred Stock the additional shares of Common Stock issuable upon such conversion before giving effect to such adjustment and (B) paying to such holder any amount in cash in lieu of a fractional share of Common Stock pursuant to paragraph (4)(f).

(e) NOTICE OF ADJUSTMENTS. Whenever the Common Equivalent Rate is adjusted as herein provided, the Corporation shall:

(i) forthwith compute the adjusted Common Equivalent Rate in accordance with this paragraph (4) and prepare a certificate signed by the Chief Financial Officer, any Vice President, the Treasurer or Controller of the Corporation setting forth the adjusted Common Equivalent Rate, the method of calculation thereof in reasonable detail and the facts requiring such adjustment and upon which such adjustment is based, which certificate shall be conclusive, final and binding evidence of

LAW2:7499

-40-

41

the correctness of the adjustment, and file such certificate forthwith with the transfer agent or agents for the Series B Preferred Stock and the Common Stock; and

(ii) mail a notice stating that the Common Equivalent Rate has been adjusted, the facts requiring such adjustment and the facts upon which such adjustment is based and setting forth the adjusted Common Equivalent Rate to the holders of record of the outstanding shares of the Series B Preferred Stock at or prior to the time the corporation mails an interim statement to its stockholders covering the fiscal quarter during which the facts requiring such

adjustment occurred, but in any event within 45 days of the end of such fiscal quarter.

(f) NO FRACTIONAL SHARES. No fractional shares or scrip representing fractional shares of Common Stock shall be issued upon the redemption or conversion of any shares of Series B Preferred Stock. Instead of any fractional interest in a share of Common Stock which would otherwise be deliverable upon the conversion of a share of Series B Preferred Stock, the Corporation shall pay to the holder of such share an amount in cash (computed to the nearest cent) equal to the same fraction of the Current Market Price of the Common Stock determined as of the second Trading Date immediately preceding (i) the Mandatory Conversion Date, in the case of a Mandatory Conversion, or (ii) the relevant Notice Date, in any other case. If more than one share shall be surrendered for conversion at one time by the same holder, the number of full shares of Common Stock issuable upon

LAW2:7499

-41-

42

conversion thereof shall be computed on the basis of the aggregate number of shares of Series B Preferred Stock so surrendered.

(g) CANCELLATION. Shares of Series B Preferred Stock that have been issued and reacquired in any manner, including shares purchased, exchanged, redeemed or converted, shall not be reissued as part of the Series B Preferred Stock and shall (upon compliance with any applicable provisions of the laws of the Commonwealth of Pennsylvania) have the status of authorized and unissued shares of the class of Preferred Stock undesignated as to series and may be redesignated and reissued as part of any series of the Preferred Stock.

(h) DEFINITIONS. As used in this paragraph (4):

(i) the term "business day" shall mean any day other than a Saturday, Sunday, or a day on which banking institutions in the State of New York or the Commonwealth of Pennsylvania are authorized or obligated by law or executive order to close or are closed because of a banking moratorium or otherwise;

(ii) the term "Call Price" shall mean the per share price (payable in shares of Common Stock) at which the Corporation may redeem shares of Series B Preferred Stock, which shall be initially equal to \$104.92, declining by \$0.008380 on each day following the date of issuance of the Series B Preferred Stock (computed on the basis of a 360-day year of twelve 30-day months) to \$95.72 on July 1, 1995 and equal to \$95.20 thereafter, if not sooner redeemed;

LAW2:7499

-42-

(iii) the term "Closing Price" on any day shall mean the closing sale price regular way on such day or, in case no such sale takes place on such day, the reported closing bid price regular way, in each case on the New York Stock Exchange or, if the Common Stock is not listed or admitted to trading on such Exchange, then on the principal national securities exchange on which the Common Stock is listed or admitted to trading (which shall be the national securities exchange on which the greatest number of shares of Common Stock has been traded during the five consecutive Trading Dates ending on and including the date of determination of the Current Market Price), or, if not quoted or listed or admitted to trading on any national securities exchange or quotation system, the closing bid price of the Common Stock on the over-the-counter market on the day in question as reported by the National Quotation Bureau Incorporated, or a similarly generally accepted reporting service, or if not so available as determined in good faith by the Board of Directors, on the basis of such relevant factors as it in good faith considers, in the reasonable judgment of the Board of Directors, appropriate;

(iv) the term "Distribution Date" shall have the meaning set forth in the Rights Agreement dated December 7, 1988, between the Company and Mellon Bank, N.A., as Rights Agent, as amended through the date hereof and as the same may be further amended, modified, restated or supplemented (the "Rights Agreement");

LAW2:7499

-43-

44

(v) the term "Notice Date" with respect to any notice given by the Corporation in connection with a redemption or conversion of any of the Series B Preferred Stock shall be the commencement of the mailing of such notice to the holders of the Series B Preferred Stock in accordance with paragraph (4) (i);

(vi) the term "Settlement Date" shall mean the following: with respect to a Distribution Date Event, the business day immediately preceding the Distribution Date, and with respect to a Fundamental Transaction, the business day immediately prior to the effective date of the Fundamental Transaction;

(vii) the term "Trading Date" shall mean a date on which the New York Stock Exchange (or any successor thereto) is open for the transaction of business.

(i) NOTICE OF REDEMPTION OR CONVERSION. The Corporation will provide notice of any redemption or conversion (including any potential conversion upon the effectiveness of a Fundamental Transaction but excluding any conversion pursuant to paragraph (4) (a)) of shares of Series B Preferred Stock to holders of record of the Series B Preferred Stock to be called or converted not less than 30 nor more than 60 days prior to the date fixed for such redemption or conversion, as the case may be; provided, however, that with respect to conversion upon the occurrence of a Distribution Date or, if the

timing of the effectiveness of a Fundamental Transaction makes it impracticable to provide at least 30 days' notice, the Corporation shall provide such notice as soon as practicable prior to such

LAW2:7499

-44-

45

occurrence or effectiveness. Such notice shall be provided by mailing notice of such redemption or conversion first class postage prepaid, to each holder of record of the Series B Preferred Stock to be redeemed or converted, at such holder's address as it appears on the stock register of the Corporation; provided, however, that no failure to give such notice nor any defect therein shall affect the validity of the proceeding for the redemption or conversion of any shares of Series B Preferred Stock to be redeemed or converted. Each such notice shall state, as appropriate, the following:

(i) the redemption or conversion date;

(ii) that all outstanding shares of Series B Preferred Stock are to be redeemed or converted or, in the case of a call for redemption pursuant to paragraph (4)(c) of fewer than all outstanding shares of Series B Preferred Stock pursuant to paragraph (4)(c), the number of such shares held by such holder to be redeemed;

(iii) in the case of a call for redemption pursuant to paragraph (4)(c), the Call Price, the number of shares of Common Stock deliverable upon redemption of each share of Series B Preferred Stock to be redeemed and the Current Market Price used to calculate such number of shares of Common Stock subject to any subsequent adjustments pursuant to paragraph (4)(d);

(iv) whether the Corporation is delivering shares of Common Stock in lieu of cash (in the case of a conversion pursuant to paragraphs (4)(a) or (4)(b)), the Current Market

LAW2:7499

-45-

46

Price to be used to calculate the number of such shares of Common Stock and, if the Corporation is delivering shares in respect of less than all the cash that would otherwise be deliverable by the Corporation upon such conversion, the portion of such cash in lieu of which Common Stock will be delivered;

(v) the place or places where certificates for such shares are to be surrendered for redemption or conversion; and

(vi) that dividends on the shares of Series B Preferred Stock to be redeemed or converted will cease to accrue on such redemption or conversion date or, in the case of a conversion pursuant to paragraph (4)(b), on the related Settlement Date, unless, in the case of a redemption pursuant to

paragraph (4) (c), the Corporation shall default in delivering the shares of Common Stock and cash, if any, payable by the Corporation at the time and place specified in such notice.

If, after notice is given in connection with a potential Distribution Date Event or Fundamental Transaction, the Rights are redeemed or expire or the event which gave rise to the giving of such notice does not occur, as a result of which the potential Fundamental Transaction or Distribution Date Event does not occur, a notice to such effect shall promptly be given to the holders of Series B Preferred Stock.

(j) DEPOSIT OF SHARES AND FUNDS. The Corporation's obligation to deliver shares of Common Stock and provide funds in accordance with this paragraph (4) shall be deemed fulfilled if, on or before a redemption or conversion date or Settlement Date,

LAW2:7499

-46-

47

the Corporation shall deposit, with a bank or trust company, or an affiliate of a bank or trust company, having an office or agency in New York City and having a capital and surplus of at least \$50,000,000, such number of shares of Common Stock as are required to be delivered by the Corporation pursuant to this paragraph (4) upon the occurrence of the related redemption or conversion (including any payment of cash in lieu of the issuance of fractional share amounts pursuant to paragraph (4) (f)), together with funds (or, in the case of a conversion pursuant to paragraphs (4) (a) or (4) (b), shares of Common Stock and/or funds) sufficient to pay all accrued and unpaid dividends on the shares to be redeemed or converted as required by this paragraph (4), in trust for the account of the holders of the shares to be redeemed or converted (and so as to be and continue to be available thereto), with irrevocable instructions and authority to such bank or trust company that such shares and funds be delivered upon redemption or conversion of the shares of Series B Preferred Stock so called for redemption or converted. Any interest accrued on such funds shall be paid to the Corporation from time to time. Any shares of Common Stock or funds so deposited and unclaimed at the end of two years from such redemption or conversion date shall be repaid and released to the Corporation, after which the holder or holders of such shares of Series B Preferred Stock so called for redemption or converted shall look only to the Corporation for delivery of such shares of Common Stock or funds.

LAW2:7499

-47-

48

(k) SURRENDER OF CERTIFICATES: STATUS. Each holder of

shares of Series B Preferred Stock to be redeemed or converted shall surrender the certificates evidencing such shares (properly endorsed or assigned for transfer, if the Board of Directors of the Corporation shall so require and the notice shall so state) to the Corporation at the place designated in the notice of such redemption or conversion and shall thereupon be entitled to receive certificates evidencing shares of Common Stock and to receive any funds payable pursuant to this paragraph (4) following such surrender and following the date of such redemption or conversion. In case fewer than all the shares represented by any such surrendered certificate are called for redemption, a new certificate shall be issued at the expense of the Corporation representing the unredeemed shares. If such notice of redemption or conversion shall have been given, and if on the date fixed for redemption or conversion shares of Common Stock and funds necessary for the redemption or conversion shall have been either set aside by the Corporation separate and apart from its other funds or assets in trust for the account of the holders of the shares to be redeemed or converted (and so as to be and continue to be available therefor) or deposited with a bank or trust company or affiliate thereof as provided in paragraph (4) (j), or the circumstances described in clause (ii) to the proviso appearing in the third full paragraph of paragraph (4) (a) are in effect, then, notwithstanding that the certificates evidencing any shares of Series B Preferred Stock so called for

LAW2:7499

-48-

49

redemption or subject to conversion shall not have been surrendered, the shares represented thereby so called for redemption or subject to conversion shall be deemed no longer outstanding, dividends with respect to the shares so called for redemption or subject to conversion shall cease to accrue after the date fixed for redemption or conversion or, in the case of a conversion pursuant to paragraph (4) (b), on the related Settlement Date, and all rights with respect to the shares so called for redemption or subject to conversion shall forthwith after such date cease and terminate, except for the right of the holders to receive the shares of Common Stock and funds, if any, payable pursuant to this paragraph (4) without interest upon surrender of their certificates therefor.

(l) DIVIDEND PAYMENTS, . The holders of shares of Series B Preferred Stock at the close of business on a dividend payment record date shall be entitled to receive the dividend payable on such shares on the corresponding Dividend Payment Date notwithstanding the call or conversion thereof, except that holders of shares called for redemption or to be converted on a date occurring between such record date and the Dividend Payment Date shall not be entitled to receive such dividend on such Dividend Payment Date but instead will receive accrued and unpaid dividends to such date or the related Settlement Date, as the case may be.

(m) PAYMENT OF TAXES. The Corporation will pay any and all documentary, stamp or similar issue or transfer taxes

50

payable in respect of the issue or delivery of shares of Common Stock on the redemption or conversion of shares of Series B Preferred Stock pursuant to this paragraph (4); provided, however, that the Corporation shall not be required to pay any tax which may be payable in respect of any registration of transfer involved in the issue or delivery of shares of Common Stock in a name other than that of the registered holder of Series B Preferred Stock redeemed or converted or to be redeemed or converted, and no such issue or delivery shall be made unless and until the person requesting such issue has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that such tax has been paid.

(5) LIQUIDATION PREFERENCE. (a) In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, the holders of shares of Series B Preferred Stock then outstanding shall be entitled to be paid out of the assets of the Corporation available for distribution to its stockholders, after payment or provision for payment of any Senior Securities, an amount per share of Series B Preferred Stock in cash equal to the sum of (i) \$68 plus (ii) all accrued and unpaid dividends thereon to the date of liquidation, dissolution or winding up, before any payment shall be made or any assets distributed to the holders of any of the Junior Securities. If the assets of the Corporation are not sufficient to pay in full the liquidation payments payable to the holders of outstanding shares of the Series B Preferred Stock and any Parity

51

Securities, then the holders of all such shares shall share ratably in such distribution of assets in accordance with the amount which would be payable on such distribution if the amounts to which the holders of outstanding shares of Series B Preferred Stock and the holders of outstanding shares of such Parity Securities are entitled were paid in full. Except as provided in this paragraph (5)(a), holders of Series B Preferred Stock shall not be entitled to any distribution in the event of liquidation, dissolution or winding up of the affairs of the Corporation.

(b) For the purposes of this paragraph (5), none of the following shall be deemed to be a voluntary or involuntary liquidation, dissolution or winding up of the Corporation: (i) the voluntary sale, conveyance, lease, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the property or assets of the Corporation; (ii) the consolidation or merger of the Corporation with or

into one or more other corporations or other associations; (iii) the consolidation or merger of one or more corporations or other associations with or into the Corporation; (iv) the participation by the Corporation in a share exchange; (v) the division of the Corporation pursuant to 15 Pa.C.S. Subch. 19D; (vi) the conversion of the Corporation pursuant to 15 Pa.C.S. Subch. 19E.

(6) VOTING RIGHTS. (a) The holders of record of shares of Series B Preferred Stock shall not be entitled to a voting

LAW2:7499

-51-

52

rights except as hereinafter provided in this paragraph (6) or as otherwise provided by law.

(b) In the event that dividends payable to the holders of Series B Preferred Stock are in arrears and unpaid for the equivalent of six quarterly periods, the Board of Directors will be increased by two directors and the holders of Series B Preferred Stock, together with the holders of all other outstanding series of the Preferred Stock in respect of which such a default in payment of dividends as described hereinabove exists and is entitled to vote thereon, voting as a single class without regard to series, will be entitled to elect two directors of the expanded Board of Directors. Such entitlement shall continue until such time as all dividends in arrears on all of the Series B Preferred Stock at the time outstanding have been paid or declared and set aside for payment, whereupon such voting rights of the holders of the Series B Preferred Stock shall cease (and the respective terms of the two additional directors shall thereupon expire and the number of directors constituting the full board be decreased by two) subject to being again revived from time to time upon the reoccurrence of the conditions described in this paragraph (6) (b) as giving rise thereto.

At any time when the right of holders of Series B Preferred Stock to elect two additional directors shall have so vested, the Corporation shall, upon the written request of the holders of record of not less than 10% of the Series B Preferred Stock then outstanding (or 10% of all of the shares of Preferred

LAW2:7499

-52-

53

Stock having the right to vote for such directors in case holders of shares of other series of Preferred Stock shall also have the right to elect directors in such circumstances) call a special meeting of holders of the Series B Preferred Stock (and other series of Preferred Stock, if applicable) for the election of directors. In the case of a written request, the special meeting shall be held

within 60 days after the delivery of the request, upon the notice provided by law and in the bylaws of the Corporation; except that the Corporation shall not be required to call such a special meeting if the request is received less than 120 days before the date fixed for the next ensuing annual meeting of stockholders of the Corporation.

Whenever the number of directors of the Corporation shall have been increased by two as provided in this paragraph (6)(b), the number as so increased may thereafter be further increased or decreased in such manner as may be permitted by the bylaws and without the vote of the holders of Series B Preferred Stock. No such action shall impair the right of the holders of Series B Preferred Stock to elect and to be represented by two directors as provided in this paragraph (6)(b).

The two directors elected as provided in this paragraph (6)(b) shall serve until the next annual meeting of stockholders of the Corporation and until their respective successors shall be elected and qualified or the earlier expiration of their terms as provided in this paragraph (6)(b).

LAW2:7499

-53-

54

No such director may be removed without the vote of holders of a majority of the shares of Series B Preferred Stock (or holders of a majority of shares of Preferred Stock having the right to vote in the election of such director in case holders of shares of other series of Preferred Stock shall also have the right to elect such director). If, prior to the expiration of the term of any such director, a vacancy in the office of such director shall occur, such vacancy shall, until the expiration of such term, in each case be filled by the remaining director elected as provided in this paragraph (6)(b) or, if none remains in office, by vote of the holders of record of a majority of the outstanding shares of Series B Preferred Stock (or holders of a majority of shares of Preferred Stock who are then entitled to participate in the election of such directors in case holders of shares of other series of Preferred Stock shall also have the right to elect such director).

(c) So long as any shares of the Series B Preferred Stock are outstanding (except when notice of the redemption or conversion of all outstanding shares of Series B Preferred Stock has been given pursuant to paragraph (4)(i) and shares of Common Stock and any necessary funds have been deposited in trust for such redemption or conversion pursuant to paragraph (4)(j)), the Corporation shall not, without the affirmative vote of the holders of at least 66-2/3% of the shares of Series B Preferred Stock and any other series of Preferred Stock entitled to vote thereon at the time outstanding, voting together as one class

55

without regard to series, in person or by proxy, or by resolution adopted at an annual or special meeting called for the purpose, amend pursuant to the provisions of 15 Pa.C.S., Subchapter 19B or in the context of any other type of Fundamental Transaction any of the provisions of the Corporation's Articles of Incorporation which would either (i) authorize any new class of Senior Securities or (ii) alter or change the rights, preferences or limitations of the Series B Preferred Stock so as to affect such rights, preferences or limitations in any material respect prejudicial to the holders of the Series B Preferred Stock.

(d) So long as any shares of the Series B Preferred Stock are outstanding (except when notice of the redemption or conversion of all outstanding shares of Series B Preferred Stock has been given pursuant to paragraph (4)(i) and shares of Common Stock and any necessary funds have been deposited in trust for such redemption or conversion pursuant to paragraph (4)(j)), the Corporation shall not, without the affirmative vote of the holders of at least a majority of the shares of Series B Preferred Stock and any other series of Preferred Stock entitled to vote thereon at the time outstanding voting or consenting, as the case may be, voting together as one class without regard to series, given in person or by proxy, either in writing or by resolution adopted at an annual or special meeting called for the purpose, amend pursuant to the provisions of 15 Pa.C.S., Subchapter 19B or in the context of any other type of Fundamental Transactions any of the provisions of the Corporation's Articles

56

of Incorporation which would either (i) increase the total number of authorized shares of Preferred Stock or (ii) authorize or create any class of Parity Securities.

(7) INCREASE IN SHARES. The number of shares of Series B Preferred Stock may, to the extent of the Corporation's authorized and unissued Preferred Stock, be increased by further resolution duly adopted by the Board of Directors and the filing of a statement with respect to shares with the Department of State of the Commonwealth of Pennsylvania.

(8) LIMITATIONS. Except as may otherwise be required by law, the shares of Series B Preferred Stock shall not have any powers, preferences or relative, participating, optional or other special rights other than those specifically set forth in this resolution (as such resolution may be amended from time to time) or otherwise in the Articles of Incorporation of the Corporation.

G.1. DESIGNATION. The shares of such series shall be designated as "Series C Conversion Preferred Stock" (the "Series C Preferred

Stock") consisting of 3,795,000 shares.

2. RANK. The Series C Preferred Stock shall, with respect to dividend rights and rights upon liquidation, dissolution and winding up, rank on a parity with the Series B Conversion Preferred Stock, par value \$1.00 per share (the "Series B Preferred Stock"), of the Corporation and prior to the Common Stock, par value \$1.00 per share (the "Common Stock"), and the Series A Participating Cumulative Preferred Stock, par value \$1.00 per share (the "Series A Preferred Stock"), of the

LAW2:7499

-56-

57

Corporation. All equity securities of the Corporation to which the Series C Preferred Stock ranks prior, whether with respect to dividends or upon liquidation, dissolution, winding up or otherwise, including the Common Stock and the Series A Preferred Stock, are collectively referred to herein as the "Junior Securities"; all equity securities of the Corporation with which the Series C Preferred Stock ranks on a parity, including the Series B Preferred Stock, are collectively referred to herein as the "Parity Securities"; and all equity securities of the Corporation (other than convertible debt securities) to which the Series C Preferred Stock ranks junior are collectively referred to herein as the "Senior Securities." The Series C Preferred Stock shall be subject to the creation of Junior Securities, Parity Securities and Senior Securities, subject to the limitations thereon provided for in paragraphs (6) (c) and (6) (d).

3. DIVIDENDS. (a) The holders of outstanding shares of the Series C Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors, out of funds legally available for the payment of dividends, cumulative preferential cash dividends accruing at the per share rate of \$3.25 per quarter and no more, payable in arrears on the first day of each March, June, September and December, respectively (each such date being hereinafter referred to as a "Dividend Payment Date"), commencing on June 1, 1994. If any Dividend Payment Date is not a business day (as defined in paragraph (4) (h) (i)), then the Dividend Payment Date shall be on

LAW2:7499

-57-

58

the next succeeding day that is a business day. Each such dividend will be payable to holders of record as they appear on the stock books of the Corporation on such record dates, not less than 10 nor more than 90 days preceding the payment dates thereof, as shall be fixed by the Board of Directors, except that no such record date shall be declared for the final

dividend payable on June 1, 1997 and holders of shares of Series C Preferred Stock will receive such final dividend only upon surrender of their share certificates. Dividends on a share of Series C Preferred Stock shall accrue (whether or not the Corporation has earnings, whether or not there are funds legally available for the payment of such dividends and whether or not such dividends are declared) on a daily basis from the previous Dividend Payment Date, except that the first dividend shall accrue from the date of issuance of such share of Series C Preferred Stock. Accrued and unpaid dividends shall not bear interest. Dividends will cease to accrue in respect of the Series C Preferred Stock on the Mandatory Conversion Date (as defined in paragraph (4)(a)) or on the Settlement Date (as defined in paragraph (4)(h)(v)), in the event of their earlier conversion pursuant to paragraph (4)(n), upon the effective date of such conversion, and will cease to accrue on the date of their earlier redemption pursuant to paragraph (4)(c) unless the Corporation shall default in delivering the shares of Common Stock and cash, if any, payable by the Corporation upon such redemption. Dividends (or cash amounts equal to accrued and

LAW2:7499

-58-

59

unpaid dividends) payable on the Series C Preferred Stock for any period shorter than a quarterly dividend period shall be computed on the basis of a 360-day year of twelve 30-day months and, for purposes of calculating the accrual of dividends, dividends will accrue to, but not including, the date fixed for payment.

(b) Unless full cumulative dividends, if any, accrued on the Series C Preferred Stock have been or contemporaneously are declared and paid or declared and a sum set apart sufficient for such payment through the most recent Dividend Payment Date (or the obligations of the Corporation with respect to the payment of such dividends are satisfied as contemplated by paragraphs (4)(a), (b) or (c)), then, whether or not the Mandatory Conversion Date has occurred, (i) no full cash dividend shall be declared by the Board of Directors or paid or set apart for payment by the Corporation or other distribution declared or made on any Parity Securities, (ii) no dividend shall be declared or paid or set aside for payment or other distribution declared or made upon the Common Stock, the Series A Preferred Stock or upon any other Junior Securities (other than a dividend or distribution paid in shares of, or warrants, rights or options exercisable for or convertible into, Common Stock, the Series A Preferred Stock or any other Junior Securities) and (iii) no Common Stock, Series A Preferred Stock or any other Junior Securities shall be redeemed, purchased or otherwise acquired for any consideration, nor shall any moneys be paid to or made available for a sinking fund for the redemption of any

60

shares of any such series or class by the Corporation, except by conversion into or in exchange for Junior Securities. If any dividends are not paid or set apart in full, as aforesaid, with respect to the Series C Preferred Stock and any Parity Securities, all dividends declared with respect to the Series C Preferred Stock and any Parity Securities shall be declared pro rata so that the amount of dividends declared per share on the Series C Preferred Stock and such Parity Securities shall in all cases bear to each other the same ratio that accrued dividends per share on the Series C Preferred Stock and such Parity Securities bear to each other. Holders of the shares of the Series C Preferred Stock shall not be entitled to any dividends, whether payable in cash, property or stock, in excess of full cumulative dividends as provided in paragraph (3) (a).

(c) Subject to the foregoing provisions of this paragraph (3) and paragraph (4) (d), the Board of Directors may declare and the Corporation may pay or set apart for payment dividends and other distributions on any of the Junior Securities or Parity Securities, and may redeem, purchase or otherwise retire any Junior Securities or Parity Securities, and the holders of the shares of the Series C Preferred Stock shall not be entitled to share therein.

(d) Any dividend payment made on shares of the Series C Preferred Stock shall first be credited against the earliest accrued but unpaid dividend due with respect to shares of the Series C Preferred Stock.

61

(e) All dividends paid with respect to shares of the Series C Preferred Stock pursuant to this paragraph (3) shall be paid pro rata to the holders entitled thereto.

(f) Holders of shares of the Series C Preferred Stock shall be entitled to receive the dividends provided for in this paragraph (3) in preference to and in priority over any dividends upon any of the Junior Securities.

4. REDEMPTIONS OR CONVERSIONS. (a) AUTOMATIC CONVERSION ON MANDATORY CONVERSION DATE. Unless earlier called for redemption by the Corporation or converted in accordance with the provisions hereof, on June 1, 1997 (the "Mandatory Conversion Date"), each outstanding share of the Series C Preferred Stock shall automatically convert into:

(i) shares of Common Stock at the Common Equivalent Rate (determined as provided in paragraph (4) (d)) in effect on the Mandatory Conversion Date; and

(ii) the right to receive an amount in cash equal to all

accrued and unpaid dividends on such share of Series C Preferred Stock to the Mandatory Conversion Date, whether or not declared, out of funds legally available for the payment of dividends (and dividends shall cease to accrue on such share as of the Mandatory Conversion Date).

The Corporation shall at all times reserve and keep available, free from preemptive rights, out of the aggregate of its authorized but unissued Common Stock and/or its Common Stock held in its treasury for the purpose of effecting any conversion

LAW2:7499

-61-

62

of the Series C Preferred Stock, either pursuant to this paragraph (4) (a) ("Mandatory Conversion") or pursuant to paragraphs (4) (b), (c) or (n) the full number of shares of Common Stock then deliverable upon any conversion of all outstanding shares of Series C Preferred Stock.

The right to receive an amount in cash equal to all accrued and unpaid dividends on such shares of Series C Preferred Stock (the "Accrued Dividend Amount") will occur upon Mandatory Conversion whether or not the Corporation has earnings and whether or not such dividends are declared; PROVIDED, HOWEVER, that to the extent that funds are not legally available for the payment of the Accrued Dividend Amount upon Mandatory Conversion, the holders of Series C Preferred Stock shall be entitled to receive, and the Corporation shall distribute to such holders, on the fifth business day next succeeding the Mandatory Conversion Date, in lieu of payment in cash of the Accrued Dividend Amount, a number of shares of Common Stock equal to 110% of the Accrued Dividend Amount divided by the Current Market Price (as defined in paragraph (4) (d) (vii)) of the Common Stock determined as of the second Trading Date (as defined in paragraph (4) (h) (vi)) prior to the Mandatory Conversion Date, except that (i) no such distribution shall be made by the Corporation if, prior to the date on which the Corporation is required to make such distribution, the Corporation shall have made payment in full of the Accrued Dividend Amount in cash and (ii) if the Corporation does not have a sufficient number of authorized but unissued

LAW2:7499

-62-

63

shares of Common Stock and shares of Common Stock held in its treasury not reserved for other corporate purposes to make such distribution in full, the Corporation shall make such distribution to the fullest extent possible, pro rata to the holders of Series C Preferred Stock entitled thereto (as nearly as

may be practicable without creating fractional shares), and the holders of Series C Preferred Stock shall thereafter have the right to receive, and the Corporation shall pay to such holders as promptly as possible, the remainder in cash or shares of Common Stock or a combination thereof, on the same terms set forth in this paragraph (4) (a) for the payment in cash of amounts equal to accrued and unpaid dividends and for the distribution of shares of Common Stock in lieu of payment of such amounts in cash.

(b) AUTOMATIC CONVERSION UPON THE OCCURRENCE OF CERTAIN EVENTS. Immediately prior to the effectiveness of an amendment of the articles, merger, consolidation, share exchange, division or conversion of the Corporation or similar extraordinary transaction that results in the conversion or exchange of Common Stock into, or the right of the holders thereof to receive, in lieu of or in addition to their shares of Common Stock, other securities or other property (whether of the Corporation or any other entity) (any such amendment, merger, consolidation, share exchange, division or conversion or similar extraordinary transaction being referred to herein as a "Fundamental Transaction") each outstanding share of the Series C

LAW2:7499

-63-

64

Preferred Stock shall automatically convert, on the Settlement Date, as defined in paragraph (4) (h) (v) into:

- (A) shares of Common Stock at the same rate as would have been the case if the Series C Preferred Stock had been called for redemption on the business day immediately preceding the Mandatory Conversion Date (with a Current Market Price determined as of the second Trading Date prior to the Settlement Date) but in no case greater than the Common Equivalent Rate; plus
- (B) the right to receive an amount in cash equal to all accrued and unpaid dividends on such share of the Series C Preferred Stock to and including the Settlement Date, whether or not declared, out of funds legally available for the payment of dividends (and dividends shall cease to accrue on such share after the Settlement Date); plus
- (C) the right to receive an amount of cash initially equal to \$34.90, declining by \$0.03056 on each day following the date of issuance of the Series C Preferred Stock (computed on the basis of a 360-day year of twelve 30- day months) to \$0.00 on June 1, 1997, in each case determined with reference

65

to the Settlement Date, out of funds legally available therefor.

At the option of the Corporation, it may deliver on the Settlement Date in lieu of some or all of the cash consideration described in clauses (B) and (C) above, pro rata to the holders of Series C Preferred Stock entitled thereto, a number of shares of Common Stock to be determined by dividing the amount of cash consideration that the Corporation has elected to pay in Common Stock by the Current Market Price (as defined in paragraph (4)(d)(vii)) of the Common Stock determined, in the case of a Fundamental Transaction, as of the second Trading Date prior to the Settlement Date.

(c) OPTIONAL REDEMPTION. The Corporation shall have the right to call, in whole or in part, the outstanding shares of the Series C Preferred Stock for redemption on the business day immediately preceding the Mandatory Conversion Date. On the redemption date, the Corporation shall deliver to the holders thereof in exchange for each such share called for redemption the greater of (i) a number of shares of Common Stock equal to the Call Price (as defined in paragraph (4)(h)(ii)) divided by the Current Market Price of the Common Stock determined as of the second Trading Date immediately preceding the Notice Date (as defined in paragraph 4(h)(iv)) and (ii) 8.85 shares of Common Stock (subject to adjustment in the same manner as the Common Equivalent Rate, as described in paragraph 4(d)). Accrued and unpaid dividends on shares of Series C Preferred

66

Stock so redeemed will be paid in cash on the date fixed for their redemption, whether or not declared, out of funds legally available for the payment of dividends (and dividends shall cease to accrue on such share as of such date). If fewer than all the outstanding shares of Series C Preferred Stock are to be called for redemption, shares to be redeemed shall be selected by the Corporation from outstanding shares of Series C Preferred Stock by lot or pro rata (as nearly as may be practicable without creating fractional shares) or by any other method determined by the Board of Directors of the Corporation in its sole discretion to be equitable.

(d) COMMON EQUIVALENT RATE ADJUSTMENTS. The Common Equivalent Rate to be used to determine the number of shares of Common Stock to be delivered on the conversion of the Series C Preferred Stock into shares of Common Stock pursuant to paragraphs (4)(a) or (b) shall be initially

ten shares of Common Stock for each share of Series C Preferred Stock; PROVIDED, HOWEVER, that such Common Equivalent Rate shall be subject to adjustment from time to time as provided below in this paragraph (4) (d). All adjustments to the Common Equivalent Rate shall be calculated to the nearest 1/100th of a share of Common Stock (or, if there is not a nearest 1/100th of a share, to the next lower 1/100th of a share). No adjustment will be required unless such adjustment would require an increase or decrease of at least one percent therein; PROVIDED, HOWEVER, that any adjustments which, by reason of the foregoing, are not required to be made will be

LAW2:7499

-66-

67

carried forward and taken into account in any subsequent adjustment. Such rate in effect at any time is herein called the "Common Equivalent Rate."

(i) If the Corporation shall:

- (A) pay a dividend or make a distribution with respect to Common Stock in shares of Common Stock,
- (B) subdivide or split its outstanding shares of Common Stock into a greater number of shares,
- (C) combine its outstanding shares of Common Stock into a smaller number of shares, or
- (D) issue by reclassification of its shares of Common Stock any shares of Common Stock of the Corporation other than in a Fundamental Transaction described in paragraph (4) (b),

then, in any such event, the Common Equivalent Rate in effect immediately prior thereto shall be adjusted so that the holder of a share of the Series C Preferred Stock shall be entitled to receive on the conversion of such share of the Series C Preferred Stock, the number of shares of Common Stock which such holder would have owned or been entitled to receive after the happening of any of the events described above had such share of the Series

LAW2:7499

-67-

68

C Preferred Stock been converted at the Common Equivalent Rate in effect

immediately prior to such event or any record date with respect thereto. Such adjustment shall become effective at the opening of business on the business date next following the record date for determination of stockholders entitled to receive such dividend or distribution in the case of a dividend or distribution, and shall become effective immediately after the effective date in case of a subdivision, split, combination or reclassification; and any shares of Common Stock issuable in payment of a dividend shall be deemed to have been issued immediately prior to the close of business on the record date for such dividend for purposes of calculating the number of outstanding shares of Common Stock under clauses (ii) and (iii) below. Such adjustments shall be made successively.

(ii) If the Corporation shall, after the date hereof, issue rights or warrants to all holders of its Common Stock entitling them (for a period not exceeding 45 days from the date of such issuance) to subscribe for or purchase shares of Common Stock at a price per share less than the Current Market Price of the Common Stock (determined pursuant to paragraph (4)(d)(vii)) on the record date for the determination of stockholders entitled to receive such rights or warrants, then in each case the Common Equivalent Rate shall be adjusted by multiplying the Common Equivalent Rate in effect immediately prior to the date of issuance of such rights or warrants by a fraction, of which the numerator shall be the number of shares of

LAW2:7499

-68-

69

Common Stock outstanding on the date of issuance of such rights or warrants, immediately prior to such issuance, plus the number of additional shares of Common Stock offered for subscription or purchase pursuant to such rights or warrants, and of which the denominator shall be the number of shares of Common Stock outstanding on the date of issuance of such rights or warrants, immediately prior to such issuance, plus the number of shares of Common Stock which the aggregate offering price of the total number of shares of Common Stock so offered for subscription or purchase pursuant to such rights or warrants would purchase at such Current Market Price (determined by multiplying such total number of shares by the exercise price of such rights or warrants and dividing the product so obtained by such Current Market Price). Such adjustment shall become effective at the opening of business on the business day next following the record date for the determination of stockholders entitled to receive such rights or warrants. To the extent that shares of Common Stock are not delivered after the expiration of such rights or warrants, the Common Equivalent Rate shall be readjusted to the Common Equivalent Rate which would then be in effect had the adjustments made upon the issuance of such rights or warrants been made upon the basis of delivery of only the number of shares of Common Stock actually delivered. Such adjustments shall be made successively.

(iii) If the Corporation shall pay a dividend

70

or make a distribution to all holders of its Common Stock of evidence of its indebtedness or other assets (including shares of capital stock of the Corporation (other than Common Stock) but excluding any distributions and dividends referred to in clause (i) above or any cash dividends), or shall issue to all holders of its Common Stock rights or warrants to subscribe for or purchase any of its securities (other than those referred to in clause (ii) above), then in each such case, the Common Equivalent Rate shall be adjusted by multiplying the Common Equivalent Rate in effect on the record date mentioned below by a fraction, of which the numerator shall be the Current Market Price of the Common Stock (determined pursuant to paragraph (4) (d) (vii)) on the record date for the determination of stockholders entitled to receive such dividend or distribution, and of which the denominator shall be such Current Market Price per share of Common Stock less the fair value (as determined by the Board of Directors of the Corporation, whose determination shall be conclusive) as of such record date of the portion of the assets or evidences of indebtedness so distributed, or of such subscription rights or warrants, applicable to one share of Common Stock. Such adjustment shall become effective on the opening of business on the business day next following the record date for the determination of stockholders entitled to receive such dividend or distribution.

(iv) In case the Corporation shall, by

71

dividend or otherwise, at any time distribute to all holders of its Common Stock cash (excluding (a) any cash dividends on the Common Stock to the extent that the aggregate cash dividends per share of Common Stock in any consecutive 12-month period do not exceed the greater of (x) the amount per share of Common Stock of the cash dividends paid on the Common Stock in the next preceding 12-month period, to the extent that such dividends for the preceding 12-month period did not require an adjustment to the Common Equivalent Rate pursuant to this paragraph (as adjusted to reflect subdivisions or combinations of the Common Stock) and (y) 15 percent of the average daily Closing Prices (as defined in paragraph (4) (h) (iii)) of the Common Stock for the ten consecutive Trading Days immediately prior to the date of declaration of such distribution and (b) any dividend or distribution in connection with the liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, then, in each such case, unless the Corporation elects to reserve such an amount of cash for distribution to the holders of the Series C Preferred Stock

so that any such shares will receive upon conversion, in addition to the shares of the Common Stock to which such holder is entitled, the amount of cash (to the extent not excluded as provided above) which such holder would have received if such holder had, immediately prior to the record date for such distribution of cash, converted its shares of Series C Preferred Stock into Common Stock, the Common Equivalent Rate shall be increased so that the same shall equal the rate

LAW2:7499

-71-

72

determined by multiplying the Common Equivalent Rate in effect at the close of business on such record date by a fraction of which the numerator shall be the Closing Price of the Common Stock on such record date and the denominator shall be the Closing Price of the Common Stock less the amount of cash so distributed (to the extent not excluded as provided above) applicable to one share of Common Stock, such increase to become effective immediately prior to the opening of business on the day following such record date; PROVIDED, HOWEVER, that in the event the portion of the cash so distributed applicable to one share of Common Stock is equal to or greater than the Closing Price of the Common Stock on such record date, in lieu of the foregoing adjustment, adequate provision shall be made so that each holder of shares of Series C Preferred Stock shall thereafter have the right to receive upon conversion the amount of cash (to the extent not excluded as provided above) such holder would have received had such holder converted each share of Series C Preferred Stock on such record date. If any adjustment is required to be made as set forth in this paragraph (4) (d) (iv) as a result of a distribution which is a dividend described in subclause (a) of this paragraph, such adjustment shall be based upon the amount by which such distribution exceeds the amount of the dividend permitted to be excluded pursuant to such subclause (a) of this paragraph. If an adjustment is required to be made pursuant to this paragraph as a result of a distribution which is

LAW2:7499

-72-

73

not such a dividend, such adjustment shall be based upon the full amount of such distribution.

(v) In case of the consummation of a tender or exchange offer (other than an odd-lot tender offer) made by the Corporation or any subsidiary of the Corporation for all or any portion of the Common Stock to the extent that the cash and value of any other consideration included in such payment per share of Common Stock exceeds 110% of the first reported sales

price per share of Common Stock on the Trading Day next succeeding the Expiration Time (as defined below), the Common Equivalent Rate shall be increased so that the same shall equal the rate determined by multiplying the Common Equivalent Rate in effect immediately prior to the last time tenders or exchanges may be made pursuant to such tender or exchange offer (the "Expiration Time") by a fraction of which the denominator shall be the number of shares of Common Stock outstanding (including any tendered or exchanged shares) on the Expiration Time multiplied by the first reported sales price of the Common Stock on the Trading Day next succeeding the Expiration Time, and the numerator shall be the sum of (A) the fair market value (determined by the Board of Directors, whose determination shall be conclusive and described in a resolution of the Board of Directors) of the aggregate consideration payable to stockholders based on the acceptance (up to any maximum specified in the terms of the tender or exchange offer) of all shares validly tendered or exchanged and not withdrawn as of the Expiration Time (the

LAW2:7499

-73-

74

shares deemed so accepted, up to any such maximum, being referred to as the "Purchased Shares") and (B) the product of the number of shares of Common Stock outstanding (less any Purchased Shares) on the Expiration Time and the first reported sales price of the Common Stock on the Trading Day next succeeding the Expiration Time, such reduction to become effective immediately prior to the opening of business on the day following the Expiration Time.

(vi) Anything in this paragraph (4)

notwithstanding, the Corporation shall be entitled to make such upward adjustments in the Common Equivalent Rate, in addition to those required by this paragraph (4), as the Corporation in its sole discretion may determine to be advisable, in order that any stock dividends, subdivisions of shares, distributions of rights to purchase stock or securities, or distributions of securities convertible into or exchangeable for stock (or any transaction which could be treated as any of the foregoing transactions pursuant to Section 305 of the Internal Revenue Code of 1986, as amended) hereafter made by the Corporation to its stockholders shall not be taxable. If the Corporation determines that an adjustment to the Common Equivalent Rate should be made, an adjustment shall be made effective as of such date as is determined by the Board of Directors of the Corporation. The determination of the Board of Directors of the Corporation as to whether an adjustment to the Common Equivalent Rate should be made pursuant to the foregoing provisions of this paragraph (4) (d) (vi), and, if so, as to what adjustment should be made and

LAW2:7499

-74-

when, shall be conclusive, final and binding on the Corporation and all stockholders of the Corporation.

(vii) As used in this paragraph (4), the "Current Market Price" of the Common Stock on any date shall be the average of the daily Closing Prices (as defined in paragraph (4)(h)(iii)) for the five consecutive Trading Dates ending on and including the date of determination of the Current Market Price; provided, however, that if the Closing Price for the Trading Date next following such five-day period (the "next-day closing price") is less than 95% of such average, then the Current Market Price per share of Common Stock on such date of determination shall be the next-day Closing Price; and provided, further, that, if any event that results in an adjustment of the Common Equivalent Rate occurs during such five-day period or, for the purposes of calculating the Current Market Price in connection with any redemption or conversion of Series C Preferred Stock or any determination of an amount in cash payable in lieu of a fraction of a share of Common Stock, if any event that results in an adjustment of the Common Equivalent Rate occurs during the period beginning on the first day of such five-day period and ending on the applicable redemption or conversion date, the Current Market Price as determined pursuant to the foregoing will be appropriately adjusted to reflect the occurrence of such event.

(viii) In any case in which paragraph (4)(d) shall require that an adjustment as a result of any event become

LAW2:7499

-75-

effective at the opening of business on the business day next following a record date and the date fixed for conversion or redemption pursuant to paragraphs (4)(a), (b), (c) or (n) occurs after such record date, but before the occurrence of such event the Corporation may in its sole discretion elect to defer the following until after the occurrence of such event: (A) issuing to the holder of any converted or redeemed shares of the Series C Preferred Stock the additional shares of Common Stock issuable upon such conversion or redemption before giving effect to such adjustment and (B) paying to such holder any amount in cash in lieu of a fractional share of Common Stock pursuant to paragraph (4)(f).

(e) NOTICE OF ADJUSTMENTS. Whenever the Common Equivalent Rate or Optional Conversion Rate is adjusted as herein provided, the Corporation shall:

(i) forthwith compute the adjusted Common Equivalent Rate and the adjusted Optional Conversion Rate (as defined in paragraph 4(n)) in accordance with this paragraph (4) and prepare a certificate signed by the Chief Financial Officer, any Vice President, the Treasurer or Controller of the Corporation setting forth the adjusted Common Equivalent Rate, the adjusted Optional Conversion Rate, the method of calculation thereof in reasonable detail and the facts requiring such adjustment and upon which

such adjustment is based, which certificate shall be conclusive, final and binding evidence of the correctness of the adjustment, and file such certificate

LAW2:7499

-76-

77

forthwith with the transfer agent or agents for the Series C Preferred Stock and the Common Stock; and

(ii) mail a notice stating that the Common Equivalent Rate and the Optional Conversion Rate have been adjusted, the facts requiring such adjustment and the facts upon which such adjustment is based and setting forth the adjusted Common Equivalent Rate and the adjusted Optional Conversion Rate to the holder of record of the outstanding shares of the Series C Preferred Stock at or prior to the time the Corporation mails an interim statement to its stockholders covering the fiscal quarter during which the facts requiring such adjustment occurred, but in any event within 45 days of the end of such fiscal quarter.

(f) NO FRACTIONAL SHARES. No fractional share or scrip representing fractional shares of Common Stock shall be issued upon the redemption or conversion of any shares of Series C Preferred Stock. Instead of any fractional interest in a share of Common Stock which would otherwise be deliverable upon the redemption or conversion of a share of Series C Preferred Stock, the Corporation shall pay to the holder of such share an amount in cash (computed to the nearest cent) equal to the same fraction of the (i) Current Market Price of the Common Stock determined as of the second Trading Date immediately preceding the Notice Date, in the case of redemption pursuant to paragraph 4(c), (ii) Closing Price (as defined in paragraph 4(h)(iii) of the Common Stock determined (A) as of the fifth Trading Date immediately preceding the Mandatory Conversion Date, in the case

LAW2:7499

-77-

78

of a Mandatory Conversion, or (B) as of the second Trading Date immediately preceding the date of conversion in the case of any optional conversion pursuant to paragraph 4(n), or (iii) the Settlement Date, in the case of a Fundamental Transaction. If more than one share shall be surrendered for conversion at one time by the same holder, the number of full shares of Common Stock issuable upon conversion thereof shall be computed on the basis of the aggregate number of shares of Series C Preferred Stock so surrendered.

(g) CANCELLATION. Shares of Series C Preferred Stock that have been issued and reacquired in any manner, including shares

purchased, exchanged, redeemed or converted, shall not be reissued as part of the Series C Preferred Stock and shall (upon compliance with any applicable provisions of the laws of the Commonwealth of Pennsylvania) have the status of authorized and unissued shares of the class of Preferred Stock undesignated as to series and may be redesignated and reissued as part of any series of the Preferred Stock.

(h) DEFINITIONS. As used in this paragraph

(4):

(i) the term "business day" shall mean any day other than a Saturday, Sunday or a day on which banking institutions in the State of New York or the Commonwealth of Pennsylvania are authorized or obligated by law or executive order to close or are closed because of a banking moratorium or otherwise;

LAW2:7499

-78-

79

(ii) the term "Call Price" shall mean \$131.25 per share;

(iii) the term "Closing Price" on any day shall mean the closing sale price regular way on such day or, in case no such sale takes place on such day, the reported closing bid price regular way, in each case on the New York Stock Exchange or, if the Common Stock is not listed or admitted to trading on such Exchange, then on the principal national securities exchange on which the Common Stock is listed or admitted to trading (which shall be the national securities exchange on which the greatest number of shares of Common Stock has been traded during the five consecutive Trading Dates ending on and including the date of determination of the Current Market Price), or, if not quoted or listed or admitted to trading on any national securities exchange or quotation system, the closing bid price of the Common Stock on the over-the-counter market on the day in question as reported by the National Quotation Bureau Incorporated, or a similarly generally accepted reporting service, or if not so available as determined in good faith by the Board of Directors, on the basis of such relevant factors as it in good faith considers, in the reasonable judgement of the Board of Directors, appropriate;

(iv) the term "Notice Date" with respect to any notice given by the Corporation in connection with the Series C Preferred Stock shall be the earlier of the public announcement with respect to any matter or the commencement of the mailing of

LAW2:7499

-79-

such notice to the holders of the Series C Preferred Stock in accordance with paragraph (4) (i);

(v) the term "Settlement Date" shall mean the business day immediately prior to the effective date of a Fundamental Transaction;

(vi) the term "Trading Date" shall mean a date on which the New York Stock Exchange (or any successor thereto) is open for the transaction of business.

(i) NOTICE OF REDEMPTION OR AUTOMATIC CONVERSION. The Corporation will provide notice of any redemption or automatic conversion (including any potential conversion upon the effectiveness of a Fundamental Transaction but excluding any conversion pursuant to paragraphs (4) (a) or (n)) of shares of Series C Preferred Stock to holders of record of the Series C Preferred Stock to be called or converted not less than 15 nor more than 60 days prior to the date fixed for such redemption or conversion, as the case may be; PROVIDED, HOWEVER, that if the timing of a Fundamental Transaction makes it impracticable to provide at least 15 days notice, the Corporation shall provide such notice as soon as is practicable. Such notice shall be provided by mailing notice of such redemption or conversion first class postage prepaid, to each holder of record of the Series C Preferred Stock to be redeemed or converted, at such holder's address as it appears on the stock register of the Corporation; PROVIDED, HOWEVER, that no failure to give such notice nor any defect therein shall affect the validity of the proceeding for

LAW2:7499

-80-

the redemption or conversion of any shares of Series C Preferred Stock to be redeemed or converted, except as to the holder to whom the Corporation has failed to give such notice or whose notice was defective. Each such notice shall state, as appropriate, the following:

(i) the redemption or automatic conversion date;

(ii) that all outstanding shares of Series C Preferred Stock are to be redeemed or converted or, in the case of a call for redemption pursuant to paragraph (4) (c) of fewer than all outstanding shares of Series C Preferred Stock, the number of such shares held by such holder to be redeemed;

(iii) in the case of a call for redemption pursuant to paragraph (4) (c), the Call Price, the number of shares of Common Stock deliverable upon redemption of each share of Series C Preferred Stock to be redeemed and, if applicable, the Current Market Price used to calculate such number of shares of Common Stock subject to any subsequent adjustments pursuant to paragraph (4) (d);

(iv) whether the Corporation is delivering shares of Common Stock in lieu of cash (in the case of a conversion pursuant to paragraphs (4) (a) or (4) (b)), the Current Market Price to be used to calculate

the number of such shares of Common Stock and, if the Corporation is delivering shares in respect of less than all the cash that would otherwise be

LAW2:7499

-81-

82

deliverable by the Corporation upon such conversion, the portion of such cash in lieu of which Common Stock will be delivered;

(v) the place or places where certificates for such shares are to be surrendered for redemption or conversion; and

(vi) that dividends on the shares of Series C Preferred Stock to be redeemed or converted will cease to accrue on such redemption or automatic conversion date or, in the case of a conversion pursuant to paragraph (4) (b), on the related Settlement Date, unless, in the case of a redemption pursuant to paragraph (4) (c), the Corporation shall default in delivering the shares of Common Stock and cash, if any, payable by the Corporation at the time and place specified in such notice.

(j) DEPOSIT OF SHARES AND FUNDS. The Corporation's obligation to deliver shares of Common Stock and provide funds in accordance with this paragraph (4) shall be deemed fulfilled if, on or before a redemption or conversion date or Settlement Date, the Corporation shall deposit, with a bank or trust company, or an affiliate of a bank or trust company, having an office or agency in New York city and having a capital and surplus of at least \$50,000,000, such number of shares of Common Stock as are required to be delivered by the Corporation pursuant to this paragraph (4) upon the occurrence of the related redemption or conversion (including any payment of cash in lieu of the issuance of fractional share amounts pursuant to paragraph (4) (f)), together with funds (or, in the case of a conversion

LAW2:7499

-82-

83

pursuant to paragraphs (4) (a) or (4) (b), shares of Common Stock and/or funds) sufficient to pay all accrued and unpaid dividends on the shares to be redeemed or converted as required by this paragraph (4), in trust for the account of the holders of the shares to be redeemed or converted (and so as to be and continue to be available thereto), with irrevocable instructions and authority to such bank or trust company that such shares and funds be delivered upon redemption or conversion of the shares of Series C Preferred Stock so called for redemption or converted. Any interest accrued on such funds shall be paid to the Corporation from time to time. Any shares of Common Stock or funds so deposited and unclaimed at the end of two years from such redemption or conversion date shall be repaid and released to the Corporation, after which

the holder or holders of such shares of Series C Preferred Stock so called for redemption or converted shall look only to the Corporation for delivery of such shares of Common Stock or funds.

(k) SURRENDER OF CERTIFICATES; STATUS. Each holder of shares of Series C Preferred Stock to be redeemed or converted shall surrender the certificates evidencing such shares (properly endorsed or assigned for transfer, unless any notice shall state otherwise) to the Corporation at the place designated in the notice of such redemption or conversion and shall thereupon be entitled to receive certificates evidencing shares of Common Stock and to receive any funds payable pursuant to this paragraph (4) following such surrender and following the date of

LAW2:7499

-83-

84

such redemption or conversion. In case fewer than all the shares represented by any such surrendered certificate are called for redemption, a new certificate shall be issued at the expense of the Corporation representing the unredeemed shares. If such notice of redemption or conversion shall have been given, and if on the date fixed for redemption or conversion (or on the Mandatory Conversion Date) shares of Common Stock and funds necessary for the redemption or conversion shall have been either set aside by the Corporation separate and apart from its other funds or assets in trust for the account of the holders of the shares to be redeemed or converted (and so as to be and continue to be available therefor) or deposited with a bank or trust company or affiliate thereof as provided in paragraph (4)(j), or the circumstances described in clause (ii) to the proviso appearing in the third full paragraph of paragraph (4)(a) are in effect, then, notwithstanding that the certificates evidencing any shares of Series C Preferred Stock so called for redemption or subject to conversion shall not have been surrendered, the shares represented thereby so called for redemption or subject to conversion shall be deemed no longer outstanding, dividends with respect to the shares so called for redemption or subject to conversion shall cease to accrue after the date fixed for redemption or conversion or, in the case of a conversion pursuant to paragraph (4)(b), on the related Settlement Date, and all rights with respect to the shares so called for redemption or subject to conversion shall forthwith after such date cease and

LAW2:7499

-84-

85

terminate, except for the right of the holders to receive the shares of Common Stock and funds, if any, payable pursuant to this paragraph (4) without

interest upon surrender of their certificates therefor.

(l) DIVIDEND PAYMENTS. Holders of shares of Series C Preferred Stock at the close of business on a record date for any payment of declared dividends will be entitled to receive the dividend payable on such shares of Series C Preferred Stock on the corresponding Dividend Payment Date notwithstanding the optional conversion of such shares of Series C Preferred Stock following such record date and before such Dividend Payment Date. However, shares of Series C Preferred Stock surrendered for optional conversion pursuant to paragraph 4(n) after the close of business on a record date for any payment of declared dividends and before the opening of business on the next succeeding Dividend Payment Date must be accompanied by payment in cash of an amount equal to the dividend attributable to the current quarterly dividend period payable on such date. Notwithstanding the foregoing, holders of Series C Preferred Stock who convert pursuant to paragraph 4(n) their Series C Preferred Stock at any time after such Series C Preferred Stock have been called for redemption, will be entitled to receive, in addition to shares of Common Stock issuable upon conversion, cash payment of dividends accrued and unpaid to the date of such conversion. Except as set forth in the preceding sentence, upon any optional conversion pursuant to paragraph 4(n) of shares of

LAW2:7499

-85-

86

Series C Preferred Stock, the Corporation will make no payment of or allowance for accrued and unpaid dividends, whether or not in arrears, on such shares of Series C Preferred Stock, or for previously declared dividends or distributions on the shares of Common Stock issued upon such conversion.

(m) PAYMENT OF TAXES. The Corporation will pay any and all documentary, stamp or similar issue or transfer taxes payable in respect of the issue or delivery of shares of Common Stock on the redemption or conversion of shares of Series C Preferred Stock pursuant to this paragraph (4); provided, however, that the Corporation shall not be required to pay any tax which may be payable in respect of any registration of transfer involved in the issue or delivery of shares of Common Stock in a name other than that of the registered holder of Series C Preferred Stock redeemed or converted or to be redeemed or converted, and no such issue or delivery shall be made unless and until the person requesting such issue has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that such tax has been paid.

(n) CONVERSION AT THE OPTION OF THE HOLDER. After 40 days following the latest date of original issuance of the Series C Preferred Stock, the shares of the Series C Preferred Stock are convertible, in whole or in part, at the option of the holders thereof, at any time before the Mandatory Conversion Date, unless previously redeemed, into shares of Common Stock at a rate of 8.85 shares of Common Stock for each

87

share of Series C Preferred Stock (the "Optional Conversion Rate"). The Optional Conversion Rate is subject to adjustment in the same manner as the Common Equivalent Rate, as described in paragraph (4)(d). The right to convert shares of Series C Preferred Stock called for redemption will terminate immediately before the close of business on the redemption date with respect to such shares.

Conversion of shares of Series C Preferred Stock at the option of the holder may be effected by delivering certificates evidencing such shares of Series C Preferred Stock, together with written notice of conversion and a proper assignment of such certificates to the Corporation or in blank (and, if applicable, cash payment of an amount equal to the dividend attributable to the current quarterly dividend period payable on such shares), to the office of the transfer agent for Series C Preferred Stock or to any other office or agency maintained by the Corporation for that purpose and otherwise in accordance with conversion procedures established by the Corporation. Each optional conversion will be deemed to have been effected immediately before the close of business on the date on which the foregoing requirements have been satisfied. The conversion will be at the Optional Conversion Rate in effect at such time and on such date.

5. LIQUIDATION PREFERENCES. (a) In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, the holders of shares of

88

Series C Preferred Stock then outstanding shall be entitled to be paid out of the assets of the Corporation available for distribution to its stockholders, after payment or provision for payment of any Senior Securities, an amount per share of Series C Preferred Stock in cash equal to the sum of (i) \$144.40 plus (ii) all accrued and unpaid dividends thereon to the date of liquidation, dissolution or winding up, before any payment shall be made or any assets distributed to the holders of any of the Junior Securities. If the assets of the Corporation are not sufficient to pay in full the liquidation payments payable to the holders of outstanding shares of the Series C Preferred Stock and any Parity Securities, then the holders of all such shares shall share ratably in such distribution of assets in accordance with the amount which would be payable on such distribution if the amounts to which the holders of outstanding shares of Series C Preferred Stock and the holders of outstanding shares of such Parity Securities are entitled were paid in full. Except as provided in this paragraph (5)(a), holders of Series C Preferred Stock shall

not be entitled to any distribution in the event of liquidation, dissolution or winding up of the affairs of the Corporation.

(b) For the purposes of this paragraph (5), none of the following shall be deemed to be a voluntary or involuntary liquidation, dissolution or winding up of the Corporation:

(i) the voluntary sale, conveyance, lease,

LAW2:7499

-88-

89

exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the property or assets of the Corporation;

(ii) the consolidation or merger of the Corporation with or into one or more other corporations or other associations;

(iii) the consolidation or merger of one or more corporations or other associations with or into the Corporation;

(iv) the participation by the Corporation in a share exchange;

(v) the division of the Corporation pursuant to 15 Pa.C.S. Subch. 19D;

(vi) the conversion of the Corporation pursuant to 15 Pa.C.S. Subch. 19E.

6. VOTING RIGHTS. (a) The holders of record of shares of Series C Preferred Stock shall not be entitled to any voting rights except as hereinafter provided in this paragraph (6) or as otherwise provided by law.

(b) In the event that dividends payable to the holders of Series C Preferred Stock are in arrears and unpaid for the equivalent of six quarterly periods, the Board of Directors will be increased by two directors and the holders of Series C Preferred Stock, together with the holders of all other outstanding series of the Preferred Stock in respect of which such a default in payment of dividends as described hereinabove

LAW2:7499

-89-

90

exists and is entitled to vote thereon, voting as a single class without regard to series, will be entitled to elect two directors of the expanded Board of Directors. Such entitlement shall continue until such time as all dividends in arrears on all of the Series C Preferred Stock at the time outstanding have been paid or declared and set aside for payment, whereupon such voting rights of the holders of the Series C Preferred Stock shall cease (and the respective terms of the two additional directors shall thereupon expire and the number of

directors constituting the full board be decreased by two) subject to being again revived from time to time upon the reoccurrence of the conditions described in this paragraph (6) (b) as giving rise thereto.

At any time when the rights of holders of Series C Preferred Stock to elect two additional directors shall have so vested, the Corporation shall, upon the written request of the holders of record of not less than 10% of the Series C Preferred Stock then outstanding (or 10% of all of the shares of Preferred Stock having the right to vote for such directors in case holders of shares of other series of Preferred Stock shall also have the right to elect directors in such circumstances), call a special meeting of holders of the Series C Preferred Stock (and other series of Preferred Stock, if applicable) for the election of directors. In the case of a written request, the special meeting shall be held within 60 days after the delivery of the request, upon the notice provided by law and in the bylaws of the Corporation; except that the Corporation shall not be required to

LAW2:7499

-90-

91

call such a special meeting if the request is received less than 120 days before the date fixed for the next ensuing annual meeting of stockholders of the Corporation.

Whenever the number of directors of the Corporation shall have been increased by two as provided in this paragraph (6) (b), the number as so increased may thereafter be further increased or decreased in such manner as may be permitted by the bylaws and without the vote of the holders of Series C Preferred Stock. No such action shall impair the right of the holders of Series C Preferred Stock to elect and to be represented by two directors as provided in this paragraph (6) (b).

The two directors elected as provided in this paragraph (6) (b) shall serve until the next annual meeting of stockholders of the Corporation and until their respective successors shall be elected and qualified or the earlier expiration of their terms as provided in this paragraph (6) (b). No such director may be removed without the vote of holders of a majority of the shares of Series C Preferred Stock (or holders of a majority of shares of Preferred Stock having the right to vote in the election of such director in case holders of shares of other series of Preferred Stock shall also have the right to elect such director). If, prior to the expiration of the term of any such director, a vacancy in the office of such director shall occur, such vacancy shall, until the expiration of such term, in each case be filled by the remaining director elected as provided

LAW2:7499

-91-

in this paragraph (6)(b) or, if none remains in office, by vote of the holders of record of a majority of the outstanding shares of Series C Preferred Stock (or holders of a majority of shares of Preferred Stock who are then entitled to participate in the election of such directors in case holders of shares of other series of Preferred Stock shall also have the right to elect such director).

(c) So long as any shares of the Series C Preferred Stock are outstanding (except when notice of the redemption or conversion of all outstanding shares of Series C Preferred Stock has been given pursuant to paragraph (4)(i) and shares of Common Stock and any necessary funds have been deposited in trust for such redemption or conversion pursuant to paragraph (4)(j)), the Corporation shall not, without the affirmative vote of the holders of at least 66-2/3% of the shares of Series C Preferred Stock and any other series of Preferred Stock entitled to vote thereon at the time outstanding, voting together as one class without regard to series, in person or by proxy, or by resolution adopted at an annual or special meeting called for the purpose, amend pursuant to the provisions of 15 Pa.C.S. Subchapter 19B or in the context of any other type of Fundamental Transaction any of the provisions of the Corporation's Restated Articles of Incorporation which would either (i) authorize any new class of Senior Securities or (ii) alter or change the rights, preferences or limitations of the Series C Preferred Stock so as to affect such rights, preferences

LAW2:7499

-92-

or limitations in any material respect prejudicial to the holders of the Series C Preferred Stock.

(d) So long as any shares of the Series C Preferred Stock are outstanding (except when notice of the redemption or conversion of all outstanding shares of Series C Preferred Stock has been given pursuant to paragraph (4)(i) and shares of Common Stock and any necessary funds have been deposited in trust for such redemption or conversion pursuant to paragraph (4)(j)), the Corporation shall not, without the affirmative vote of the holders of at least a majority of the shares of Series C Preferred Stock and any other series of Preferred Stock entitled to vote thereon at the time outstanding voting or consenting, as the case may be, voting together as one class without regard to series, given in person or by proxy, either in writing or by resolution adopted at an annual or special meeting called for the purpose, amend pursuant to the provisions of 15 Pa.C.S. Subchapter 19B or in the context of any other type of Fundamental Transaction any of the provisions of the Corporation's Restated Articles of Incorporation which would either (i) increase the total number of authorized shares of Preferred Stock or (ii) authorize or create any class of Parity Securities.

7. INCREASE IN SHARES. The number of shares of Series C Preferred Stock may, to the extent of the Corporation's authorized and unissued

Preferred Stock, be increased by further resolution duly adopted by the Board of Directors and the filing

LAW2:7499

-93-

94

of a statement with respect to shares with the Department of State of the Commonwealth of Pennsylvania.

8. LIMITATIONS. Except as may otherwise be required by law, the shares of Series C Preferred Stock shall not have any powers, preferences or relative, participating, optional or other special rights other than those specifically set forth in this resolution (as such resolution may be amended from time to time) or otherwise in the Restated Articles of Incorporation of the Corporation.

SIXTH: A. A higher than majority stockholder vote for certain Business Combinations (as defined below) shall be required as follows:

(1) In addition to any affirmative vote required by law or these Articles or the terms of any series of Preferred Stock or any other securities of the Corporation and except as otherwise expressly provided in Section B. of this Article SIXTH:

(a) any merger or consolidation of the Corporation or any Subsidiary with (i) any Interested Stockholder or with (ii) any other corporation (whether or not itself an Interested Stockholder) which is, or after such merger or consolidation would be, an Affiliate or Associate of an Interested Stockholder;

(b) any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions whether or not related) to an Interested Stockholder (or an Affiliate or Associate of an Interested Stockholder) of

LAW2:7499

-94-

95

any assets of the Corporation or of a Subsidiary having an aggregate Fair Market Value of \$10,000,000 or more;

(c) any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions whether or not related) to or with the Corporation or a Subsidiary of any assets of an Interested Stockholder (or an Affiliate or Associate of an Interested Stockholder) having an aggregate Fair Market Value of \$10,000,000 or more;

(d) the issuance or sale by the Corporation or any Subsidiary (in one transaction or a series of transactions whether or not

related) of any securities of the Corporation or of any Subsidiary to any Interested Stockholder or any Affiliate or Associate of any Interested Stockholder in exchange for cash, securities or other consideration (or a combination thereof) having an aggregate Fair Market Value of \$10,000,000 or more except an issuance of securities upon conversion of convertible securities of the Corporation or of a Subsidiary which were not acquired by such Interested Stockholder (or such Affiliate or Associate) from the Corporation or a Subsidiary;

(e) the adoption of any plan or proposal for the liquidation or dissolution of the Corporation proposed by or on behalf of any Interested Stockholder or any Affiliate or Associate of any Interested Stockholder; or

(f) any reclassification of securities (including any reverse stock split), or recapitalization of the Corporation, or any merger or consolidation of the Corporation with any of its

LAW2:7499

-95-

96

Subsidiaries or any other transaction (whether or not with or into or otherwise involving an Interested Stockholder) which has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class of equity securities or securities convertible into equity securities of the Corporation or any Subsidiary which is directly or indirectly owned by any Interested Stockholder or any Affiliate or Associate of any Interested Stockholder; shall require the affirmative vote of (i) the holders of at least eighty percent (80%) of the combined voting power of the then outstanding shares of capital stock of the Corporation entitled to vote generally in an annual election of directors (the "Voting Stock") and (ii) the holders of at least a majority of the combined voting power of the then outstanding Voting Stock held by Disinterested Stockholders, in each case voting together as a single class. Such affirmative vote shall be required notwithstanding the fact that no vote may be required, or that a lesser percentage may be specified, by law, by any other provisions of these Articles or by the terms of any series of Preferred Stock or any other securities of the Corporation;

(2) The term "Business Combination" as used in this Article SIXTH shall mean any transaction which is referred to in any one or more of clauses (a) through (f) of paragraph (1) of Section A. of this Article SIXTH.

B. The provisions of Section A. of this Article SIXTH shall not be applicable to any Business Combination, and such

LAW2:7499

-96-

Business Combination shall require only such affirmative vote (if any) as is required by law, any other provision of these Articles or the terms of any class or series of capital stock of the Corporation entitled to a preference over the Common Stock as to dividends or upon liquidation, or the terms of any other securities of the Corporation, if all of the conditions specified in either of the following paragraphs (1) or (2) are met:

(1) The Business Combination shall have been approved by a majority of the Disinterested Directors or

(2) All the following six conditions shall have been met -

(a) The transaction constituting the Business Combination shall provide for a consideration to be received by holders of Common Stock in exchange for their Common Stock, and the aggregate amount of the cash and the Fair Market Value as of the date of the consummation of the Business Combination of consideration other than cash to be received per share by holders of Common Stock in such Business Combination shall be at least equal to the highest of the following:

(i) (if applicable) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid in order to acquire any shares of Common Stock beneficially owned by the Interested Stockholder which were acquired (x) within the two-year period immediately prior to the first public announcement of the proposed Business Combination (the "Announcement Date") or (y) in the transaction

LAW2:7499

-97-

in which it became an Interested Stockholder, whichever is higher;

(ii) the Fair Market Value per share of Common Stock on the Announcement Date or on the date on which the Interested Stockholder became an Interested Stockholder (the "Determination Date"), whichever is higher; and

(iii) (if applicable) the price per share equal to the Fair Market Value per share of Common Stock determined pursuant to clause (ii) immediately preceding, multiplied by the ratio of (x) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid in order to acquire any shares of Common Stock beneficially owned by the Interested Stockholder which were acquired within the two-year period immediately prior to the Announcement Date to (y) the Fair Market Value per share of Common Stock on the first day in such two-year period on which the Interested Stockholder beneficially owned any shares of Common Stock, whether or not such Stockholder was an Interested Stockholder on that day.

(b) If the transaction constituting the Business Combination shall provide for a consideration to be received by holders of any class of outstanding Voting Stock other than Common Stock, the aggregate amount of the cash and the Fair Market Value as of the date of the consummation of the

Business Combination of consideration other than cash to be received per share by holders of shares of such Voting Stock shall be at least

LAW2:7499

-98-

99

equal to the highest of the following (it being intended that the requirements of this clause (2)(b) shall be required to be met with respect to every class of outstanding Voting Stock other than Institutional Voting Stock, whether or not the Interested Stockholder beneficially owns any shares of a particular class of Voting Stock):

(i) (if applicable) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid in order to acquire any shares of such class of Voting Stock beneficially owned by the Interested Stockholder which were acquired (x) within the two-year period immediately prior to the Announcement Date or (y) in the transaction in which it became an Interested Stockholder, whichever is higher;

(ii) (if applicable) the highest preferential amount per share to which the holders of shares of such class of Voting Stock are entitled in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation;

(iii) the Fair Market Value per share of such class of Voting Stock on the Announcement Date or on the Determination Date, whichever is higher; and

(iv) (if applicable) the price per share equal to the Fair Market Value per share of such class of Voting Stock determined pursuant to clause (iii) immediately preceding, multiplied by the ratio of (x) the highest per share price

LAW2:7499

-99-

100

(including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid in order to acquire any shares of such class of Voting Stock beneficially owned by the Interested Stockholder which were acquired within the two-year period immediately prior to the Announcement Date to (y) the Fair Market Value per share of such class of Voting Stock on the first day in such two-year period on which the Interested Stockholder beneficially owned any shares of such class of Voting Stock, whether or not such Stockholder was an Interested Stockholder on that day.

(c) The consideration to be received by holders of a particular class of Voting Stock (including Common Stock) shall be in cash or in the same form as was previously paid in order to acquire shares of such

class of Voting Stock which are beneficially owned by the Interested Stockholder and, if the Interested Stockholder beneficially owns shares of any class of Voting Stock which were acquired with varying forms of consideration, the form of consideration to be received by holders of such class of Voting Stock shall be either cash or the form used to acquire the largest number of shares of such class of Voting Stock beneficially owned by it. The prices determined in accordance with clauses (a) and (b) of paragraph (2) of this Section B. shall be subject to an appropriate adjustment in the event of any stock dividend, stock split, subdivision, combination of shares or similar event.

LAW2:7499

-100-

101

(d) After such Interested Stockholder has become an Interested Stockholder and prior to the consummation of such

- (i) except as approved by a majority of the Disinterested Directors, there shall have been no failure to declare and pay at the regular date therefor any full quarterly dividends (whether or not cumulative) on any outstanding Preferred Stock or other capital stock entitled to a preference over the Common Stock as to dividends or upon liquidation;
- (ii) except as approved by a majority of the Disinterested Directors, there shall have been (x) no reduction in the annual amount of dividends paid on the Common Stock (except as necessary to reflect any subdivision of the Common Stock) and (y) no failure to increase the annual amount of dividends as necessary to prevent any such reduction in the event of any reclassification (including any reverse stock split), recapitalization, reorganization or similar transaction which has the effect of reducing the number of outstanding shares of the Common Stock;
- (iii) such Interested Stockholder shall not have become the beneficial owner of any additional shares of Voting Stock except as part of the transaction in which it became an Interested Stockholder; and
- (iv) there shall have always been at least three Disinterested Directors on the Board of Directors

LAW2:7499

-101-

102

(e) After such Interested Stockholder has become an Interested Stockholder, such Interested Stockholder shall not have received the benefit, directly or indirectly (except proportionately as a stockholder), of any loans, advances, guarantees, pledges or other financial assistance or any tax credits or other tax advantages provided by the Corporation, whether in

anticipation of or in connection with such Business Combination or otherwise.

(f) A proxy or information statement describing the proposed Business Combination and complying with the requirements of the Securities Exchange Act of 1934 and the rules and regulations thereunder (or any subsequent provisions replacing such Act, rules or regulations) shall be mailed to stockholders at least 30 days prior to the consummation of such Business Combination (whether or not such proxy or information statement is required to be mailed pursuant to such Act or subsequent provisions).

C. For the purposes of this Article SIXTH:

(1) A "person" shall mean any individual, a partnership, a corporation, an association, a trust or other entity.

(2) "Interested Stockholder" at any particular time shall mean any person (other than the Corporation or any Subsidiary) who or which:

LAW2:7499

-102-

103

(a) is at such time the beneficial owner, directly or indirectly, of five percent (5%) or more of the voting power of the Voting Stock;

(b) is an Affiliate of the Corporation and at any time within the two-year period immediately prior to the date in question was the beneficial owner, directly or indirectly, of five percent (5%) or more of the voting power of the Voting Stock; or

(c) is at such time an assignee of or has otherwise succeeded to the beneficial ownership of any shares of Voting Stock which were at any time within the two-year period immediately prior to the date in question beneficially owned by any Interested Stockholder (as defined in C.(2)(a) and (b) above), if such assignment or succession shall have occurred in the course of a transaction or series of transactions not involving a public offering within the meaning of the Securities Act of 1933.

(3) "Disinterested Stockholder" shall mean a stockholder of the Corporation who is not an Interested Stockholder or an Affiliate or an Associate of an Interested Stockholder.

(4) A person shall be a "beneficial owner" of any shares of Voting Stock:

(a) which such person or any of its Affiliates or Associates beneficially owns, directly or indirectly;

LAW2:7499

-103-

(b) which such person or any of its Affiliates or Associates has (i) the right to acquire (whether or not such right is exercisable immediately) pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise, or (ii) the right to vote pursuant to any agreement, arrangement or understanding; or

(c) which are beneficially owned, directly or indirectly, by any other person with which such person or any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any shares of Voting Stock.

(5) For the purpose of determining whether a person is an Interested Stockholder pursuant to paragraph (2) of this Section C., the number of shares of Voting Stock deemed to be outstanding shall include shares deemed owned by an Interested Stockholder through application of paragraph (4) of this Section C. but shall not include any other shares of Voting Stock which may be issuable pursuant to any agreement, arrangement or understanding, or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise.

(6) "Affiliate" or "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as in effect on December 31, 1984 (the term "registrant" in such Rule 12b-2 meaning in this case the Corporation).

LAW2:7499

-104-

(7) "Subsidiary" means any corporation of which a majority of any class of equity security is owned, directly or indirectly, by the Corporation; provided, however, that for the purposes of the definition of Interested Stockholder set forth in paragraph (2) of this Section C. the term "Subsidiary" shall mean only a corporation of which a majority of each class of equity security is owned, directly or indirectly, by the Corporation.

(8) "Disinterested Director" means any member of the Board of Directors who is unaffiliated with, and not a representative or nominee of, an Interested Stockholder and (a) was a member of the Board prior to the time that the Interested Stockholder became an Interested Stockholder, or (b) recommended to succeed a Disinterested Director by a majority of the Disinterested Directors then on the Board.

(9) "Fair Market Value" means: (a) in the case of stock, the highest closing sale price during the 30-day period immediately preceding the date in question of a share of such stock on the Composite Tape for New York Stock Exchange Listed Stocks, or, if such stock is not quoted on the Composite Tape, on the New York Stock Exchange, or if such stock is not listed on such Exchange, on the principal United States securities exchange

registered under the Securities Exchange Act of 1934 on which such stock is listed, or, if such stock is not listed on any such exchange, the highest closing bid quotation with respect to a share of such stock during the 30-day period preceding the date in question on the National Association of Securities Dealers,

LAW2:7499

-105-

106

Inc. Automated Quotation System or any other system then in use, or if no such quotations are available, the fair market value on the date in question of a share of such stock as determined by a majority of the Disinterested Directors in good faith; and (b) in the case of property other than cash or stock, the fair market value of such property on the date in question as determined by a majority of the Disinterested Directors in good faith.

(10) In the event of any Business Combination in which the Corporation survives, the phrase "consideration other than cash to be received" as used in paragraph (2) of Section B. of this Article SIXTH shall include the shares of Common Stock and the shares of any other class of outstanding Voting Stock retained by the holders of such shares.

(11) The term "class" of Voting Stock shall be deemed to refer to a series of Voting Stock where more than one series of Voting Stock is outstanding within a class of Voting Stock.

(12) "Institutional Voting Stock" shall mean any class of Voting Stock which was issued to and continues to be held solely by one or more insurance companies, pension funds, commercial banks, savings banks or similar financial institutions or institutional investors.

D. A majority of the Disinterested Directors of the Corporation shall have the power and duty to determine for the purposes of this Article SIXTH, on the basis of information known to them after reasonable inquiry, (1) whether a person is an

LAW2:7499

-106-

107

Interested Stockholder, (2) the number of shares of Voting Stock beneficially owned by any person, (3) whether a person is an Affiliate or Associate of another, (4) whether the requirements of Section B. of this Article SIXTH have been met with respect to any Business Combination, (5) whether a class of Voting Stock is Institutional Voting Stock and (6) whether the assets which are subject to any Business Combination have, or the consideration to be received for the issuance or transfer of securities by this Corporation or any subsidiary in any Business Combination has, an aggregate Fair Market Value of

\$10,000,000 or more. Any such determination made in good faith shall be binding and conclusive on all parties.

E. Nothing contained in this Article SIXTH shall be construed to relieve any Interested Stockholder from any fiduciary obligation imposed by law.

F. In addition to any requirements of law and any other provisions of these Articles or the terms of any class or series of capital stock of the Corporation entitled to a preference over the Common Stock as to dividends or upon liquidation, or the terms of any other securities of the Corporation (and notwithstanding the fact that a lesser percentage may be specified by law, these Articles or any such terms), the affirmative vote of
(1) the holders of eighty percent (80%) or more of the combined voting power of the Voting Stock, voting together as a single class, and

LAW2:7499

-107-

108

(2) a majority of the combined voting power of the Voting Stock held by the Disinterested Stockholders, voting together as a single class, shall be required to amend, alter or repeal, or adopt any provision inconsistent with, this Article SIXTH.

SEVENTH: A. Except as otherwise fixed by or pursuant to the terms of any class or series of capital stock of the Corporation entitled to a preference over the Common Stock as to dividends or upon liquidation, the number, qualification, terms of office, manner of election, time and place of meeting, compensation, powers and duties of the directors shall be fixed from time to time by or pursuant to the By-laws.

B. If the By-laws so provide, the members of the Board (other than those who may be elected by the holders of any class or series of capital stock having a preference over the Common Stock as to dividends or upon liquidation pursuant to the terms of these Articles or of such class or series of stock) shall be classified, with respect to the time for which they severally hold office, into three classes, as nearly equal in number as possible, having such terms and being elected in such manner as shall be specified in the By-laws.

EIGHTH: In furtherance and not in limitation of the powers conferred upon it by law, the Board of Directors is expressly authorized to:

A. adopt any By-laws a majority of the entire Board of Directors may deem necessary or desirable for the efficient

LAW2:7499

-108-

conduct of the affairs of the Corporation, including, but not limited to, provisions governing the conduct of, and the matters which may properly be brought before, meetings of the stockholders and provisions specifying the manner and extent to which prior notice shall be given of the submission of proposals to be considered at any such meeting or of nominations for the election of directors to be held at any such meeting; and

B. repeal, alter or amend the By-laws by the vote of a majority of the entire Board of Directors.

NINTH: In addition to any requirements of law and any other provisions of these Articles or the terms of any series of Preferred Stock or any other securities of the Corporation (and notwithstanding the fact that a lesser percentage may be specified by law, these Articles or any such terms), the affirmative vote of the holders of eighty percent (80%) or more of the combined voting power of the then outstanding shares of capital stock of the Corporation entitled to vote generally in an annual election (the "Voting Stock"), voting together as a single class, shall be required to:

A. remove a director without cause (For purposes of this Article (NINTH] "cause" shall mean the willful and continuous failure of a director to substantially perform such director's duties to the Corporation, other than any such failure resulting from incapacity due to physical or mental illness, or the willful engaging by a director in gross misconduct materially and demonstrably injurious to the Corporation.);

LAW2:7499

-109-

B. adopt, amend, alter or repeal any provision of the By-laws, except that By-law XVI may be amended or altered by a majority vote of the Voting Stock if the majority of the entire Board of Directors has first recommended the amendment or alteration for approval by the stockholders;

C. amend, alter or repeal or adopt any provision inconsistent with, Articles SEVENTH or EIGHTH or this Article NINTH; and

D. amend, alter or repeal or adopt any provisions inconsistent with any provision, other than Articles SIXTH, SEVENTH or EIGHTH or this Article NINTH, contained in these Articles of Incorporation, unless otherwise first recommended and approved by a majority of the entire Board of Directors or, if there is an Interested Stockholder (as defined in Article SIXTH), by a majority of the Disinterested Directors (as defined in Article SIXTH), in which cases a majority vote of the Voting Stock is required to amend, alter or repeal such other provisions of these Articles.

TENTH: To the fullest extent that the law of the Commonwealth of Pennsylvania, as it exists on January 27, 1987, or as it may thereafter be amended, permits the elimination of the liability of directors, no director of the corporation shall be liable for monetary damages for any action taken, or any failure to take any action. This Article TENTH shall not apply to any

breach of performance of duty or any failure of performance of duty by any director occurring prior to January

LAW2:7499

-110-

111

27, 1987. No amendment to or repeal of this Article TENTH shall apply to or have any effect on the liability or alleged liability of any director of the Corporation for or with respect to any act or failure to act on the part of such director occurring prior to such amendment or repeal.

ELEVENTH: The Corporation may, to the fullest extent permitted by applicable law as then in effect, indemnify any person who is or was a director, officer, employe or agent of the Corporation or is or was serving at the request of the corporation as a director, officer, employe or agent of another corporation, partnership, joint venture, trust or other enterprise (including, without limitation, any employe benefit plan) and may take such steps as may be deemed appropriate by the Corporation, including purchasing and maintaining insurance, entering in to contracts (including, without limitation, contracts of indemnification between the Corporation and its directors and officers), creating a trust fund, granting security interests or using other means (including, without limitation, a letter of credit) to insure the payment of such amount as may be necessary to effect such indemnification. This Article shall apply to any action taken, or any failure to take any action, on or after January 27, 1987.

LAW2:7499

-111-

EXHIBIT (11) COMPUTATION OF PER SHARE EARNINGS
(unaudited)

<TABLE>
<CAPTION>

	Three Months Ended	
	March 31 1994 ----	March 31 1993 ----
<S>	<C>	<C>
EQUIVALENT SHARES:		
Average shares outstanding	352,972,879	347,379,209
Additional shares due to: Stock options	3,309,018	3,268,492
Series C Preferred shares	870,968 -----	-- -----
Total equivalent shares	357,152,865 =====	350,647,701 =====
ADJUSTED EARNINGS (in millions):		
Net income from Continuing Operations	\$ 36	\$ 59
Less: Series B preferred stock dividends	13 -----	13 -----
Adjusted net income from Continuing Operations	23	46
Income from Discontinued Operations	--	--
Cumulative effect of changes in accounting principles	--	(56) -----
Adjusted net income (loss) after cumulative effect of changes in accounting principles	\$ 23 =====	\$ (10) =====
EARNINGS (LOSS) PER SHARE		
From Continuing Operations	\$ 0.07	\$ 0.14
From cumulative effect of changes in accounting principles	-- -----	(0.16) -----
Earnings (loss) per share	\$ 0.07 =====	\$ (0.02) =====

</TABLE>

EXHIBIT 12(a) COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(in millions) (unaudited)

<TABLE>

<CAPTION>

	Three Months Ended March 31		Year Ended December 31
	1994	1993	1993
	----	----	----
<S>	<C>	<C>	<C>
Income (loss) before income taxes and minority interest	\$ 57	\$ 99	\$ (236)
Less: Equity in income (loss) of 50 percent or less owned affiliates	(1)	(2)	(7)
Add: Fixed charges excluding capitalized interest	56	63	253
	-----	-----	-----
Earnings as adjusted	\$ 114	\$ 164	\$ 24
	=====	=====	=====
Fixed charges:			
Interest expense	\$ 47	\$ 53	\$ 217
Rental expense	9	10	36
Capitalized interest	-	1	3
	-----	-----	-----
Total fixed charges	\$ 56	\$ 64	\$ 256
	=====	=====	=====
Ratio of earnings to fixed charges	2.04x	2.56x	(a)
	=====	=====	=====

</TABLE>

(a) Additional income before income taxes and minority interest of \$232 million would be necessary to attain a ratio of earnings to fixed charges of 1.00x for the year ended December 31, 1993.

EXHIBIT 12(b) COMPUTATION OF RATIO OF EARNINGS TO
COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS
(in millions) (unaudited)

<TABLE>
<CAPTION>

	Three Months Ended March 31,		Year Ended December 31
	1994 -----	1993 -----	1993 -----
<S>	<C>	<C>	<C>
Income (loss) before income taxes and minority interest	\$ 57	\$ 99	\$ (236)
Less: Equity in income (loss) of 50 percent or less owned affiliates	(1)	(2)	(7)
Add: Fixed charges excluding capitalized interest	77	83	325
	-----	-----	-----
Earnings as adjusted	\$ 135 =====	\$ 184 =====	\$ 96 =====
Combined fixed charges and preferred dividends:			
Interest expense	\$ 47	\$ 53	\$ 217
Rental expense	9	10	36
Capitalized interest	-	1	3
Pre-tax earnings required to cover preferred dividend requirements (a)	21	20	72
	-----	-----	-----
Total combined fixed charges and preferred dividends	\$ 77 =====	\$ 84 =====	\$ 328 =====
Ratio of earnings to combined fixed charges and preferred dividends	1.75x =====	2.19x =====	(b) =====

</TABLE>

(a) Dividend requirement divided by 100% minus effective income tax rate.

(b) Additional income before income taxes and minority interest of \$232 million would be necessary to attain a ratio of earnings to combined fixed charges and preferred dividends of 1.00x for the year ended December 31, 1993.

