

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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 September 30, 1997.

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 1-8729

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

Delaware  
(State or other jurisdiction of incorporation or organization)

38-0387840  
(I.R.S. Employer Identification No.)

Township Line and Union Meeting Roads  
Blue Bell, Pennsylvania  
(Address of principal executive offices)

19424  
(Zip Code)

Registrant's telephone number, including area code: (215) 986-4011

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

Number of shares of Common Stock outstanding as of September 30, 1997: 175,810,124

UNISYS CORPORATION  
CONSOLIDATED BALANCE SHEET  
(Millions)

	September 30, 1997 (Unaudited)	December 31, 1996
	-----	-----
Assets		
- - - - -		
Current Assets		
Cash and cash equivalents	\$ 554.3	\$1,029.2
Marketable securities	.8	5.6
Accounts and notes receivable, net	810.6	959.0
Inventories		
Finished equipment and supplies	304.0	325.5
Work in process and raw materials	294.2	316.8
Deferred income taxes	365.8	365.8
Other current assets	101.5	131.2
	-----	-----
Total	2,431.2	3,133.1
	-----	-----
Long-term receivables, net	59.1	59.3
	-----	-----
Properties and rental equipment	1,808.0	1,950.3
Less-Accumulated depreciation	1,229.5	1,328.5
	-----	-----
Properties and rental equipment, net	578.5	621.8
	-----	-----
Cost in excess of net assets acquired	959.1	981.3
Investments at equity	220.6	244.4
Deferred income taxes	678.7	678.7
Other assets	1,224.2	1,248.5
	-----	-----
Total	\$6,151.4	\$6,967.1
	=====	=====
Liabilities and stockholders' equity		
- - - - -		
Current liabilities		
Notes payable	\$ 21.0	\$ 13.9
Current maturities of long-term debt	212.8	5.8
Accounts payable	736.3	871.1
Other accrued liabilities	1,062.5	1,453.4
Dividends payable	26.6	26.6
Estimated income taxes	89.7	94.3
	-----	-----
Total	2,148.9	2,465.1
	-----	-----
Long-term debt	2,054.9	2,271.4
Other liabilities	411.3	474.6
Redeemable preferred stock		150.0
Stockholders' equity		
Preferred stock	1,420.2	1,420.2
Common stock, issued: 1997, 176.5; 1996, 175.7	1.8	1.8
Accumulated deficit	(744.4)	(770.1)
Other capital	858.7	954.1
	-----	-----
Stockholders' equity	1,536.3	1,606.0
	-----	-----
Total	\$6,151.4	\$6,967.1
	=====	=====

See notes to consolidated financial statements.

UNISYS CORPORATION  
CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)  
(Millions, except per share data)

	Three Months Ended September 30		Nine Months Ended September 30	
	1997	1996	1997	1996
	-----	-----	-----	-----
Revenue	\$1,621.4	\$1,630.9	\$4,737.4	\$4,559.0
	-----	-----	-----	-----
Costs and expenses				
Cost of revenue	1,046.4	1,100.9	3,108.3	3,098.2
Selling, general and administrative	340.0	353.1	1,010.6	1,021.7
Research and development	74.5	81.2	222.2	258.6
	-----	-----	-----	-----
	1,460.9	1,535.2	4,341.1	4,378.5
	-----	-----	-----	-----
Operating income	160.5	95.7	396.3	180.5
Interest expense	59.5	66.7	179.4	185.5
Other income (expense), net	(20.2)	(7.5)	(39.0)	14.2
	-----	-----	-----	-----
Income before income taxes	80.8	21.5	177.9	9.2
Estimated income taxes	29.9	7.3	65.8	3.1
	-----	-----	-----	-----
Net income	50.9	14.2	112.1	6.1
Dividends on preferred shares	26.6	30.2	84.5	90.6
	-----	-----	-----	-----
Earnings (loss) on common shares	\$ 24.3	\$ (16.0)	\$ 27.6	\$ (84.5)
	=====	=====	=====	=====
Earnings (loss) per common share				
Primary	\$ .14	\$ (.09)	\$ .16	\$ (.49)
	=====	=====	=====	=====
Fully Diluted	\$ .13	\$ (.09)	\$ .16	\$ (.49)
	=====	=====	=====	=====

See notes to consolidated financial statements.

UNISYS CORPORATION  
CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)  
(Millions)

	Nine Months Ended September 30	
	1997	1996
Cash flows from operating activities		
Net income	\$ 112.1	\$ 6.1
Add (deduct) items to reconcile net income to net cash (used for) operating activities:		
Depreciation	116.8	130.4
Amortization:		
Marketable software	67.1	79.1
Cost in excess of net assets acquired	35.9	33.8
(Increase) in deferred income taxes		( 15.6)
Decrease in receivables, net	142.6	120.3
Decrease (increase) in inventories	44.1	( 17.1)
(Decrease) in accounts payable and other accrued liabilities	( 545.3)	( 504.7)
(Decrease) in estimated income taxes	( 2.9)	( 57.5)
(Decrease) in other liabilities	( 63.3)	( 70.6)
Decrease (increase) in other assets	78.6	( 41.5)
Other	4.1	( 15.4)
	-----	-----
Net cash used for operating activities	( 10.2)	( 352.7)
	-----	-----
Cash flows from investing activities		
Proceeds from investments	1,241.2	1,414.0
Purchases of investments	(1,206.2)	(1,418.6)
Proceeds from marketable securities	4.8	
Proceeds from sales of properties	5.1	23.7
Investment in marketable software	( 89.3)	( 83.8)
Capital additions of properties and rental equipment	( 136.0)	( 98.6)
Purchases of businesses	( 21.5)	( 13.0)
	-----	-----
Net cash used for investing activities	( 201.9)	( 176.3)
	-----	-----
Cash flows from financing activities		
Redemption of redeemable preferred stock	( 150.0)	
Proceeds from issuance of debt		700.9
Principal payments of debt		( 339.6)
Net proceeds from short-term borrowings	7.1	1.6
Dividends paid on preferred shares	( 86.4)	( 90.6)
Other	2.7	.4
	-----	-----
Net cash (used for) provided by financing activities	( 226.6)	272.7
	-----	-----
Effect of exchange rate changes on cash and cash equivalents	( 24.5)	( 8.6)
	-----	-----
Net cash used for continuing operations	( 463.2)	( 264.9)
Net cash used for discontinued operations	( 11.7)	( 11.8)
	-----	-----
Decrease in cash and cash equivalents	( 474.9)	( 276.7)
Cash and cash equivalents, beginning of period	1,029.2	1,114.3
	-----	-----
Cash and cash equivalents, end of period	\$ 554.3	\$ 837.6
	=====	=====

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In the opinion of management, the financial information furnished herein reflects all adjustments necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods specified. These adjustments consist only of normal recurring accruals. Because of seasonal and other factors, results for interim periods are not necessarily indicative of the results to be expected for the full year.

- a. For the nine months ended September 30, 1997, the computation of primary earnings per share is based on the weighted average number of outstanding common shares and additional shares assuming the exercise of stock options. For the three months ended September 30, 1997, the fully diluted computation includes additional shares for the assumed conversion of the 8 1/4% convertible notes due 2006. The computations for the three and nine months ended September 30, 1996 are based solely on the weighted average number of outstanding common shares. Conversion is not assumed for the 8 1/4% convertible notes due 2000 in either period in 1997, both convertible notes in 1996 and Series A preferred stock in any of the periods since such conversions would have been antidilutive. The shares used in the computations are as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1997	1996	1997	1996
Primary	179,000	172,970	176,841	172,370
Fully diluted	225,289	172,970	176,841	172,370

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

Results of Operations

For the three months ended September 30, 1997, the Company reported net income of \$50.9 million, compared to net income of \$14.2 million for the three months ended September 30, 1996. On a per-share basis, the third quarter net income was \$.14 per primary and \$.13 per fully diluted common share after preferred dividends, compared to a loss of \$.09 per primary and fully diluted common share a year ago.

Total revenue for the quarter ended September 30, 1997 was \$1.62 billion, compared to \$1.63 billion for the year-ago period, which included a major contract for electronic voting machines. Excluding this contract and a three percentage point adverse foreign currency impact, revenue in the third quarter increased 7%. Total gross profit percent was 35.5% in the third quarter of 1997 compared to 32.5% in the year-ago period.

For the three months ended September 30, 1997, selling, general and administrative expenses were \$340.0 million compared to \$353.1 million for the three months ended September 30, 1996, and research and development expenses were \$74.5 million compared to \$81.2 million a year earlier. The declines were largely due to the Company's cost reduction actions and the effects of foreign currency translations.

For the third quarter of 1997, the Company reported an operating income percent of 9.9% compared to 5.9% for the third quarter of 1996.

Revenue, gross profit percentage and operating income percentage by business unit are presented below (\$ in millions):

	Total	Elimi- nations	Information Services Group	Global Customer Services	Computer Systems Group
	-----	-----	-----	-----	-----
Three Months Ended September 30, 1997					
Customer revenue	\$1,621.4		\$513.9	\$535.8	\$571.7
Intercompany		\$(124.0)	4.5	12.9	106.6
Total revenue	\$1,621.4	\$(124.0)	\$518.4	\$548.7	\$678.3
	=====	=====	=====	=====	=====
Gross profit percent*	35.5%		21.1%	27.0%	46.2%
	=====		=====	=====	=====
Operating income percent*	9.9%		(1.9)%	9.3%	16.4%
	=====		=====	=====	=====
Three Months Ended September 30, 1996					
Customer revenue	\$1,630.9		\$483.8	\$505.0	\$642.1
Intercompany		\$(110.1)	1.3	19.4	89.4
Total revenue	\$1,630.9	\$(110.1)	\$485.1	\$524.4	\$731.5
	=====	=====	=====	=====	=====
Gross profit percent*	32.5%		19.1%	28.7%	41.6%
	=====		=====	=====	=====

\*as a percent of total revenue

Note: Certain prior year business unit amounts have been reclassified to conform with the current year presentation.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Cont'd).

Customer revenue from the Information Services Group ("ISG") increased 6% in the quarter as a result of growth in both systems integration and outsourcing. ISG's gross profit percent was 21.1% in 1997 compared to 19.1% last year reflecting the benefits of an improved bid quality and control process.

In the Global Customer Services ("GCS") business, growth in distributed computing support services moderated in the quarter due to increased competition in the network integration market. Although customer revenue in GCS increased 6% due to the continued rollout of a large Federal government networking project, that project negatively impacted the group's gross profit percent in the quarter, which was 27.0% compared to 28.7% last year. Also impacting the group's margins was the continued shift in its business mix from proprietary maintenance toward distributed computing support services.

Customer revenue in the Computer Systems Group ("CSG") decreased 11% in comparison with a year ago, which included the voting machines contract mentioned above. Excluding this contract, CSG's revenue was flat when compared with the prior year. CSG gross profit percent rose to 46.2% in 1997 from 41.6% last year, due in large part to a higher proportion of sales of large-scale enterprise servers.

Interest expense in the third quarter of 1997 was \$59.5 million compared to \$66.7 million in the third quarter of 1996, principally due to lower average debt levels.

Other income (expense), net, which can vary from quarter to quarter, was an expense of \$20.2 million in the current quarter compared to an expense of \$7.5 million in the year-ago period. The change was mainly due to lower equity and interest income.

Income before income taxes was \$80.8 million in 1997 compared to \$21.5 million last year. The provision for income taxes was \$29.9 million in the current period compared to \$7.3 million in the year-ago period.

For the nine months ended September 30, 1997, net income was \$112.1 million, or \$.16 per fully diluted common share after payment of preferred dividends. In the nine-month period one year ago, net income was \$6.1 million, or a loss of \$.49 per fully diluted common share after preferred dividends. Revenue was \$4.74 billion compared to \$4.56 billion for the first nine months of 1996.

Effective January 1, 1997, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." This statement requires that if a transfer of financial assets does not meet certain criteria for recording the transaction as a sale, the transfer must be accounted for as a secured borrowing. The adoption of SFAS No. 125 did not have a material effect on the Company's consolidated financial position, consolidated statement of income, or liquidity.

In February of 1997, SFAS No. 128, "Earnings per Share," was issued. This statement establishes new standards for computing and presenting earnings per share. Adoption of SFAS No. 128 and restatement of prior periods' earnings per share is required in the fourth quarter of 1997. For the Company, earnings per share under SFAS No. 128 for the current quarter would be the same as reported. The effect of adoption of SFAS No. 128 on earlier periods is immaterial.

Item 2. Management's Discussion and Analysis of Financial  
Condition and Results of Operations (Cont'd).

Financial Condition

Cash, cash equivalents and marketable securities at September 30, 1997 were \$555.1 million compared to \$1.0 billion at December 31, 1996. Cash was used during the first nine months of 1997 for operating, investing and financing activities as described below.

Cash used for operating activities during the nine months ended September 30, 1997 was \$10.2 million compared to \$352.7 million used during the prior-year period. The decline in cash usage from operations in the current period compared to the year-ago period was due to current period income and improved working capital management, including improvements in inventory turns and accounts receivable days outstanding.

Cash used for investing activities during the first nine months of 1997 was \$201.9 million compared to \$176.3 million used in the year-ago period. The increase in cash usage was principally due to increased capital expenditures as a number of large-scale Clearpath enterprise servers were added to the Company's rental machine base.

Cash used for financing activities during the first nine months of 1997 was \$226.6 million compared to cash provided of \$272.7 million in 1996. In the current period, the Company redeemed all \$150.0 million of its Series B and C Cumulative Convertible Preferred Stock. The year-ago period includes proceeds of \$700.9 million from issuances of debt and \$339.6 million of principal payments of debt. Dividends paid on preferred stock were \$86.4 million in the first nine months of 1997 compared to \$90.6 million in the first nine months of 1996.

At September 30, 1997, total debt was \$2.3 billion, a slight decrease from December 31, 1996. In June 1997, the Company entered into a two-year \$200 million revolving credit facility replacing the prior one-year facility. The facility includes certain financial tests that must be met as conditions to a borrowing and provides that no loans may be outstanding for twenty consecutive days in each quarter. The facility may not be used to refinance other debt. The amount the Company may borrow at any given time is dependent upon the amount of certain of its accounts receivable and inventory. As of September 30, 1997, there were no borrowings outstanding under the facility and the entire \$200 million was available for borrowings.

On October 7, 1997, the Company called all \$345 million outstanding principal amount of its 8 1/4% Convertible Subordinated Notes due 2000 (the "2000 Notes") for redemption on October 27, 1997. The 2000 Notes were convertible, prior to the close of business on October 27, 1997 (the "Conversion Expiration Time"), into an aggregate of 33.7 million shares of the Company's common stock. In connection with the call for redemption, the Company entered into a standby arrangement with an investment bank (the "Purchaser") providing that, if fewer than all of the 2000 Notes were surrendered for conversion prior to the Conversion Expiration Time, the Purchaser would purchase from the Company such number of shares of its common stock as would have been issuable upon conversion of the 2000 Notes not so surrendered. Prior to the Conversion Expiration Time, approximately \$344 million principal amount of 2000 Notes were converted into approximately 33.6 million shares of the Company's common stock. The Purchaser purchased an additional .1 million shares of the Company's common stock pursuant to the standby arrangement, and the proceeds were used by the Company to effect the redemption of the 2000 Notes not surrendered for conversion. As a result, no 2000 Notes are currently outstanding, and the Company has issued all 33.7 million shares of its common stock issuable in respect thereof.



Item 2. Management's Discussion and Analysis of Financial  
Condition and Results of Operations (Cont'd).

On November 7, 1997, the Company announced that it was making a special conversion offer to holders of its 8 1/4% Convertible Subordinated Notes due 2006 (the "2006 Notes"). The offer is for up to \$294 million of the \$299 million of 2006 Notes outstanding. Under the offer, the Company will pay holders who elect to convert their notes into common stock a cash premium of \$155, plus accrued interest, for each \$1,000 in principal amount of 2006 Notes converted. Assuming the full \$294 million in principal amount of 2006 Notes is converted, the Company would take a one-time charge against fourth-quarter net income of approximately \$46 million, would issue 42.8 million shares of common stock, and would save approximately \$24 million in annual interest payments.

The Company may, from time to time, redeem, tender for or repurchase its securities in the open market or in privately negotiated transactions depending upon availability, market conditions, and other factors.

The Company has on file with the Securities and Exchange Commission an effective registration statement covering approximately \$315 million of debt or equity securities, which enables the Company to be prepared for future market opportunities.

At September 30, 1997, the Company had deferred tax assets in excess of deferred tax liabilities of \$1,412 million. For the reasons cited below, management determined that it is more likely than not that \$1,009 million of such assets will be realized, therefore resulting in a valuation allowance of \$403 million.

The Company evaluates quarterly the realizability of its net deferred tax assets by assessing its valuation allowance and by adjusting the amount of such allowance, if necessary. The factors used to assess the likelihood of realization are the Company's forecast of future taxable income, which is adjusted by applying probability factors, and available tax planning strategies that could be implemented to realize deferred tax assets. The combination of these factors is expected to be sufficient to realize the entire amount of net deferred tax assets. Approximately \$2.9 billion of future taxable income (predominantly U.S.) is needed to realize all of the net deferred tax assets.

The Company's net deferred tax assets include substantial amounts of net operating loss and tax credit carryforwards. Failure to achieve forecasted taxable income might affect the ultimate realization of the net deferred tax assets. See "Factors That May Affect Future Results" below.

Stockholders' equity decreased \$69.7 million during the nine months ended September 30, 1997 principally reflecting translation adjustments of \$104.9 million and preferred dividends declared of \$86.4 million, offset in part by net income of \$112.1 million.

Factors That May Affect Future Results

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From time to time, the Company provides information containing "forward-looking" statements, as defined in the Private Securities Litigation Reform Act of 1995. All forward-looking statements rely on assumptions and are subject to risks, uncertainties, and other factors that could cause the Company's actual results to differ materially from expectations. These include, but are not limited to, the following: the continued competitive pressures and volatility in the information technology and services industry on revenues, pricing and margins; rapid changes in technology, technology standards and product life cycles; the Company's ability to design, develop, introduce, deliver or obtain new products and services on a timely and cost-

effective basis; the Company's ability to effectively manage the shift of its business mix away from traditional high-margin product and services offerings; the Company's ability to profitably bid and perform services contracts, particularly large, fixed-price, multi-year systems integration

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Cont'd).

contracts; the Company's reliance on third-party alliances, subcontractors, suppliers and distribution channels; the risks of doing business internationally, including foreign currency exchange rate fluctuations, changes in political or economic conditions, trade protection measures and import or export licensing requirements; the Company's cost of and success in attracting and retaining highly skilled people; and natural disasters or changes in general economic and business conditions.

Part II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

See Exhibit Index.

(b) Reports on Form 8-K

During the quarter ended September 30, 1997, the Company filed no Current Reports on Form 8-K.

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.

UNISYS CORPORATION

Date: November 7, 1997

By: /s/ Robert H. Brust

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Robert H. Brust  
Senior Vice President and  
Chief Financial Officer  
(Principal Financial Officer)

By: /s/ Janet M. Brutschea Haugen

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Janet M. Brutschea Haugen  
Vice President and Controller  
(Chief Accounting Officer)

EXHIBIT INDEX

Exhibit Number	Description
4.1	Amended and Restated Certificate of Incorporation of Unisys Corporation
10.1	Employment Agreement, dated July 2, 1997 between Unisys Corporation and James A. Unruh
10.2	Employment Agreement, dated September 23 1997 between Unisys Corporation and Lawrence A. Weinbach
11.1	Statement of Computation of Earnings Per Share for the nine months ended September 30, 1997 and 1996
11.2	Statement of Computation of Earnings Per Share for the three months ended September 30, 1997 and 1996
12	Statement of Computation of Ratio of Earnings to Fixed Charges
27	Financial Data Schedule

RESTATED  
CERTIFICATE OF INCORPORATION  
OF  
UNISYS CORPORATION

ARTICLE I

The name of the corporation (hereinafter called the "Corporation") is Unisys Corporation.

ARTICLE II

The address of the Corporation's registered office in the State of Delaware is 1209 Orange Street, Wilmington, New Castle County, Delaware 19801. The name of the Corporation's registered agent at such address is The Corporation Trust Company.

ARTICLE III

The purpose or purposes for which the Corporation is organized are:

To engage in the business of designing, manufacturing and marketing of components, products, systems and forms and supplies for the recording, storing, handling, computing, processing and communicating of information and data, and of providing related services; and

To engage in any other lawful act or activity for which a corporation may be organized under the General Corporation Law of Delaware.

ARTICLE IV

Section 1. The total number of shares of all classes of stock which the Corporation shall have authority to issue is 400,000,000 shares, divided into two classes consisting of 360,000,000 shares of Common Stock, par value \$.01 per share ("Common Stock"), and 40,000,000 shares of Preferred Stock, par value \$1 per share ("Preferred Stock"). The Board of Directors shall have authority by resolution to issue the shares of Preferred Stock from time to time on such terms as it may determine and to divide the Preferred Stock into one or more series and, in connection with the creation of any such series, to determine and fix by the resolution or resolutions providing for the issuance of shares thereof:

A. the distinctive designation of such series, the number of shares which shall constitute such series, which number may be increased or decreased (but not below the number of shares then outstanding) from time to time by action of the Board of Directors, and the stated value thereof, if different from the par value thereof;

B. the dividend rate, the times of payment of dividends on the shares of such series, whether dividends shall be cumulative, and, if so, from what date or dates, and the preference or relation which such dividends will bear to the dividends payable on any shares of stock of any other class or any other series of this class;

C. the price or prices at which, and the terms and conditions on which, the shares of such series may be redeemed;

D. whether or not the shares of such series shall be entitled to the benefit of a retirement or sinking fund to be applied to the purchase or redemption of such shares and, if so entitled, the amount of such fund and the terms and provisions relative to the operation thereof;

E. whether or not the shares of such series shall be convertible into, or exchangeable for, any other shares of stock of the Corporation or any other securities and, if so convertible or exchangeable, the conversion price or prices, or the rates of exchange, and any adjustments thereof, at which such conversion or exchange may be made, and any other terms and conditions of such conversion or exchange;

F. the rights of the shares of such series in the event of voluntary or involuntary liquidation, dissolution or winding up or upon any distribution of the assets, of the Corporation;

G. whether or not the shares of such series shall have priority over or parity with or be junior to the shares of any other class or series in any respect, or shall be entitled to the benefit of limitations restricting (i) the creation of indebtedness of the Corporation, (ii) the issuance of shares of any other class or series having priority over or being on a parity with the shares of such series in any respect, or (iii) the payment of dividends on, the making of other distributions in respect of, or the purchase or redemption of shares of any other class or series on parity with or ranking junior to the shares of such series as to dividends or assets, and the terms of any such restrictions, or any other restriction with respect to shares of any other class or series on parity with or ranking junior to the shares of such series in any respect;

H. whether such series shall have the 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; and

I. any other powers, preferences, privileges, and relative participating, optional, or other special rights of such series, and the qualifications, limitations or restrictions thereof, to the full extent now or hereafter permitted by law.

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 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.

Section 2. Each holder of Common Stock shall be entitled to one vote for each share of Common Stock held of record on all matters on which stockholders generally are entitled to vote. Subject to the provisions of law and the rights of the Preferred Stock and any other class or series of stock having a preference as to dividends over the Common Stock then outstanding, dividends may be paid on the Common Stock at such times and in such amounts as the Board of Directors shall determine. Upon the dissolution, liquidation or winding up of the Corporation, after any preferential amounts to be distributed to the holders of the Preferred Stock and any other class or series of stock having a preference over the Common Stock then outstanding have been paid or declared and set apart for payment, the holders of the Common Stock shall be entitled to receive all the remaining assets of the Corporation available for distribution to its stockholders ratably in proportion to the number of shares held by them, respectively.

### Section 3. Junior Preferred Stock:

A. Designation and Amount. The shares of such series shall be designated as "Junior Participating Preferred Stock" (the "Junior Preferred Stock") and the number of shares constituting such series shall be 1,500,000. Such number of shares may be increased or decreased by resolution of the Board of Directors; provided, that no decrease shall reduce the number of shares of Junior Preferred Stock to a number less than the number of shares then outstanding plus the number of shares issuable upon exercise of outstanding rights, options or warrants or upon conversion of outstanding securities issued by the Corporation.

#### B. Dividends and Distributions.

(i) Subject to the prior and superior rights of the holders of any shares of any series of Preferred Stock ranking prior and superior to the shares of Junior Preferred Stock with respect to dividends, the holders of shares of Junior Preferred Stock, in preference to the holders of Common Stock and of any other junior stock, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the first day of March, June, September and December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Junior Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) \$15 or (b) subject to the provision for adjustment hereinafter set forth, 300 times the aggregate per share amount of all cash dividends, and 300 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in shares of Common Stock, or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common

Stock since the immediately preceding Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Preferred Stock. In the event the Corporation shall at any time declare or pay any dividend on Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Junior Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(ii) The Corporation shall declare a dividend or distribution on the Junior Preferred Stock as provided in Paragraph (i) of this Subsection immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of \$15 per share on the Junior Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

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

C. Voting Rights. The holders of shares of Junior Preferred Stock shall have the following voting rights:

(i) Subject to the provision for adjustment hereinafter set forth, each share of Junior Preferred Stock shall entitle the holder thereof to 300 votes on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall at any time declare or pay any dividend on Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of shares of Junior Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(ii) Except as otherwise provided herein or by law, the holders of shares of Junior Preferred Stock and the holders of shares of Common Stock shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(iii) The Certificate of Incorporation of the Corporation shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Junior Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least two-thirds of the outstanding shares of Junior Preferred Stock, voting together as a single series.



(iv) Except as set forth herein, holders of Junior Preferred Stock shall have no voting rights.

D. Certain Restrictions.

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

(a) 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 Junior Preferred Stock;

(b) 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 Junior Preferred Stock, except dividends paid ratably on the Junior 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; or

(c) purchase or otherwise acquire for consideration any shares of Junior Preferred Stock, or any shares of stock ranking on a parity with the Junior 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.

(ii) 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 (i) of this Subsection (D) purchase or otherwise acquire such shares at such time and in such manner.

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

F. Liquidation, Dissolution or Winding Up. Upon any liquidation, dissolution or winding up of the Corporation, no distribution shall be made (1) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution, or winding up) to the Junior Preferred Stock unless, prior thereto, the holders of shares of Junior Preferred Stock shall have received \$100 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, provided that the holders of shares of Junior Preferred Stock shall be entitled to receive an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 300 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 Junior Preferred Stock, except distributions made ratably on the Junior 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. In the event the Corporation shall at any time declare or pay any dividend on Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of shares of Junior Preferred Stock were entitled immediately prior to such event under the proviso in clause (1) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to

such event.

G. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case the shares of Junior Preferred Stock shall at the same time be similarly exchanged or changed in an amount per share (subject to the provision for adjustment hereinafter set forth) equal to 300 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time declare or pay any dividend on Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise) into a greater or lesser number of shares of Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Junior Preferred Stock shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

H. No Redemption. The shares of Junior Preferred Stock shall not be redeemable.

I. Rank. Nothing herein shall preclude the Board of Directors from creating or authorizing any class or series of Preferred Stock ranking on a parity with or prior to the Junior Preferred Stock as to the payment of dividends or the distribution of assets.

#### Section 4. Series A Cumulative Convertible Preferred Stock:

A. Designation and Amount. The designation of this series which consists of 30,000,000 shares of Preferred Stock is "Series A Cumulative Convertible Preferred Stock" (the "Series A Preferred Stock"). The number of shares of the Series A Preferred Stock may be decreased from time to time by a resolution or resolutions of the Board of Directors; provided that no such amendment shall reduce the number of shares of the Series A Preferred Stock to a number less than the aggregate number of shares of the Series A Preferred Stock then outstanding plus the number of shares reserved for issuance upon the conversion or exchange of any outstanding securities convertible or exchangeable into Series A Preferred Stock.

B. Rank. All Series A Preferred Stock shall rank prior to the Corporation's Common Stock and to the Corporation's Junior Participating Preferred Stock, both as to payment of dividends and as to distribution of assets upon liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary.

#### C. Dividends.

(i) The holders of shares of Series A Preferred Stock shall be entitled to receive cash dividends at the annual rate of \$3.75 per share, and no more, which shall be payable quarterly on the 15th day of October, January, April and July of each year to holders of record as they appear on the stock books of the Corporation on such record dates as are fixed by the Board of Directors, but only when, as and if declared by the Board of Directors out of funds at the time legally available for the payment of dividends. Dividends on shares of Series A Preferred Stock issued pursuant to the merger of SP Merger Co. Inc., a Delaware corporation and a wholly owned subsidiary of the Corporation, and Sperry Corporation (the "Merger") shall be cumulative and shall accrue without interest from the effective time of the Merger (the "Effective Time") and dividends on all other shares of Series A Preferred Stock shall be cumulative and shall accrue without interest from the later of the Effective Time or the last dividend payment date immediately preceding the date of issuance of such shares. No dividends or other distributions, other than dividends payable solely in shares of capital stock of the Corporation ranking junior as to dividends to the Series A Preferred Stock (collectively, the "Junior Dividend Stock"), shall be paid or set apart for payment on, and no purchase, redemption or other acquisition shall be made of, any shares of Junior Dividend Stock unless and until all accrued and unpaid dividends on the Series A Preferred Stock, including the full dividend for the then current quarterly dividend period, shall have been declared and paid or a sum sufficient for payment thereof set apart.

(ii) No full dividends shall be declared or paid or set apart for payment on any class or series of capital stock ranking, as to dividends, on a parity with the Series A Preferred Stock (the "Parity Dividend Stock") for any period unless full cumulative dividends have been, or contemporaneously are, declared and paid or set apart for such payment on the Series A Preferred Stock for all dividend payment periods terminating on or prior to the date of payment of such full cumulative dividends. When dividends are not paid in full upon the Series A Preferred Stock and the Parity Dividend Stock, all dividends declared and paid or set aside for payment upon shares of Series A Preferred Stock and the Parity Dividend Stock shall be declared and paid or set aside for payment pro rata so that the amount of dividends declared and paid or set aside for payment per share on the Series A Preferred Stock and the Parity Dividend Stock shall in all cases bear to each other the same ratio that accrued dividends per share on the shares of Series A Preferred Stock and the Parity Dividend Stock bear to each other.

(iii) Any reference to "distribution" contained in this Subsection C shall not be deemed to include any stock dividend or distributions made in connection with any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary.

D. Liquidation Preference. In the event of a liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the holders of shares of Series A Preferred Stock shall be entitled to receive out of the assets of the Corporation, whether such assets are capital or surplus of any nature, an amount equal to the dividends accrued and unpaid thereon to the date of final distribution to such holders, whether or not declared, without interest, and a sum equal to \$50 per share, and no more, before any payment shall be made or any assets distributed to the holders of shares of Common Stock or any other class or series of the Corporation's capital stock ranking junior as to liquidation rights to the Series A Preferred Stock (the "Junior Liquidation Stock"). The entire assets of the Corporation, available for distribution after the liquidation preferences of any class or series of capital stock ranking prior to the Series A Preferred Stock are fully met, shall be distributed ratably among the holders of shares of the Series A Preferred Stock and any other class or series of the capital stock hereafter issued having parity as to liquidation rights with the Series A Preferred Stock in proportion to the respective accrued and unpaid dividends and preferential amounts to which each is entitled (but only to the extent of such accrued and unpaid dividends and preferential amounts) when such assets are not sufficient to pay in full the aggregate amounts payable thereon. Neither a consolidation or merger of the Corporation with another corporation nor a sale or transfer of all or part of the Corporation's assets for cash, securities or other property will be considered a liquidation, dissolution or winding up of the Corporation.

E. Redemption.

(i) Subject to the limitations set forth below, the Corporation, at its option, may redeem at any time after the issuance thereof, the whole, or from time to time any part, of the Series A Preferred Stock; provided, however, that no shares of Series A Preferred Stock may be redeemed prior to June 1, 1989 unless the Closing Price (as defined below) of the Common Stock on each of at least 20 Trading Days (as defined below) out of a 30 consecutive Trading Days' period ending within 5 Trading Days of the date of the notice of redemption shall have equalled or exceeded 150% of the then effective conversion price. A "Trading Day" shall be any day on which the principal national securities exchange on which the Common Stock is admitted to trading or listed is open, or, if the Common Stock is not so admitted to trading or so listed, any day except Saturday, Sunday, a legal holiday or any day on which banking institutions in the City of New York are obligated or authorized to close. The "Closing Price" for each day shall be the last reported sale price on that day or, in case no such reported sale takes place on such day, the average of the last reported bid and asked prices on that day, in either case, as reported in the consolidated transaction reporting system for the principal national securities exchange on which the Common Stock is admitted to trading or listed, or if not so listed or admitted to trading, the average of the highest reported bid and lowest reported asked prices as furnished by the National Association of Securities Dealers, Inc. Automated Quotation System ("NASDAQ") or such other nationally recognized quotation service selected by the Corporation for the purpose, if NASDAQ is not at the time furnishing quotations. If the Common Stock is not publicly held or so listed or traded, the "Closing Price" shall mean the fair value per share as determined in good faith by the Board of Directors, whose determination shall be conclusive, and described in a resolution of the Board of Directors certified by the Secretary or an Assistant Secretary of the Corporation. The

redemption price per share will be the following if the Series A Preferred Stock is redeemed during the 12-month period ending June 1,

Year	Redemption Price	Year	Redemption Price
1987	\$53.750	1992	\$51.875
1988	53.375	1993	51.500
1989	53.000	1994	51.125
1990	52.625	1995	50.750
1991	52.250	1996	50.375

and will be \$50 per share if redeemed at any time after June 1, 1996, plus, in each case, an amount in cash equal to all dividends on shares of Series A Preferred Stock accrued and unpaid thereon, whether or not declared, pro rata to the date fixed for redemption, such sum being hereinafter referred to as the "Redemption Price".

(ii) In case of the redemption of less than all of the then outstanding shares of Series A Preferred Stock, the Corporation shall designate by lot, or in such other manner as the Board of Directors may determine, the shares to be redeemed, or shall effect such redemption pro rata. Notwithstanding the foregoing, the Corporation shall not redeem less than all of the shares of Series A Preferred Stock at any time outstanding, unless all dividends accrued and in arrears upon all shares of Series A Preferred Stock then outstanding shall have been paid for all past dividend periods, and until full dividends for the then current dividend period on all shares of Series A Preferred Stock then outstanding, other than the shares to be redeemed, shall have been paid or declared and the full amount thereof set apart for payment.

(iii) Not more than 60 nor less than 30 days prior to the redemption date, notice by first class mail, postage prepaid, shall be given to the holders of record of the shares of Series A Preferred Stock to be redeemed, addressed to such stockholders at their last addresses as shown by the records of the Corporation.

(iv) Any notice which is mailed as herein provided shall be conclusively presumed to have been duly given, whether or not the stockholder receives such notice; and failure to give such notice by mail, or any defect in such notice, to the holders of any shares designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series A Preferred Stock. On or after the date fixed for redemption as stated in such notice, each holder of the shares called for redemption shall surrender the certificate evidencing such shares to the Corporation at the place designated in such notice and shall thereupon be entitled to receive payment of the Redemption Price. If less than all the shares represented by any such surrendered certificate are to be redeemed, a new certificate shall be issued representing the unredeemed shares.

(v) The Corporation shall, on or prior to the date fixed for redemption of any shares, but not earlier than 45 days prior to the date fixed for redemption, deposit with its transfer agent or other redemption agent selected by the Board of Directors, as a trust fund, a sum sufficient to redeem the shares called for redemption, with irrevocable instructions and authority to such transfer agent or other redemption agent to give or complete the notice of redemption thereof and to pay to the respective holders of such shares, as evidenced by a list of such holders certified by an officer of the Corporation, the Redemption Price upon surrender of their respective share certificates. Such deposit shall be deemed to constitute full payment of such shares to their holders; and from and after the date of such deposit, all rights of the holders of the shares of Series A Preferred Stock to be redeemed, as stockholders of the Corporation with respect to such shares, except the right to receive the Redemption Price, without interest, upon the surrender of their respective certificates, and except the right to convert their shares into Common Stock as provided in Subsection F, shall cease and terminate. No dividends shall accrue on any shares of Series A Preferred Stock called for redemption after the date fixed for redemption (unless the Corporation shall fail to deposit the sum sufficient to redeem all shares called for redemption). In case holders of any shares of Series A Preferred Stock called for redemption shall not, within one year after such deposit, claim the amount deposited for redemption thereof, such transfer agent or other redemption agent shall, upon demand, pay over to the Corporation the balance of such amount so deposited. Thereupon, such transfer agent or other redemption agent shall be relieved of all responsibility to the holders thereof and the sole right of such holders shall be as general creditors of the Corporation. To the extent that shares of

Series A Preferred Stock called for redemption are converted into Common Stock prior to the date fixed for redemption, the amount deposited by the Corporation to redeem such shares shall immediately be returned to the Corporation. Any interest accrued on any funds so deposited shall belong to the Corporation, and shall be paid to it from time to time on demand.

F. Conversion.

(i) On or after the issuance thereof, the holders of shares of Series A Preferred Stock may, at the option of the holders thereof, upon surrender of the certificates therefor, convert any or all of their shares of Series A Preferred Stock into fully paid and nonassessable shares of Common Stock and such other securities and property as hereafter provided. The conversion price, which shall be subject to adjustment as provided in Paragraph (ii), shall be \$29.93 ("Conversion Price"). For the purposes of calculating the number of shares of Common Stock into which the Series A Preferred Stock is convertible at the Conversion Price, the price per share of Series A Preferred Stock is \$50.

(ii) The Conversion Price shall be subject to adjustment from time to time as follows:

(a) In case the Corporation shall (i) declare a dividend or make a distribution on the outstanding shares of its Common Stock in shares of its Common Stock, (ii) subdivide or reclassify the outstanding shares of its Common Stock into a greater number of shares, or (iii) combine or reclassify the outstanding shares of its Common Stock into a smaller number of shares, the Conversion Price in effect at the time of the record date for such dividend or distribution or the effective date of such subdivision, combination or reclassification, and the number and kind of shares of capital stock issuable on such date, shall be proportionately adjusted so that the holder of any shares of Series A Preferred Stock surrendered for conversion after such time shall be entitled to receive the number and kind of shares of capital stock which he would have owned or been entitled to receive had such shares of Series A Preferred Stock been converted immediately prior to such time. Any shares of Common Stock issuable in payment of a dividend shall be deemed to have been issued immediately prior to the time of the record date for such dividend for purposes of calculating the number of outstanding shares of Common Stock under Subsections (b) and (c) below. Such adjustment shall be made successively whenever any event specified above shall occur.

(b) In case the Corporation shall fix a record date for the issuance of rights, options or warrants to all holders of shares of Common Stock entitling them (for a period expiring within 45 calendar days after such record date) to subscribe for or purchase shares of Common Stock (or securities convertible into shares of Common Stock) at a price per share (or having a conversion price per share) less than the Closing Price of a share of Common Stock on such record date, the Conversion Price shall be adjusted immediately thereafter so that it shall equal the price determined by multiplying the Conversion Price in effect immediately prior thereto by a fraction, of which the numerator shall be the number of shares of Common Stock outstanding on such record date plus the number of shares of Common Stock which the aggregate offering price of the total number of shares of such Common Stock so offered (or the aggregate initial conversion price of the convertible securities so offered) would purchase on that day at the Closing Price, and of which the denominator shall be the number of shares of Common Stock outstanding on such record date plus the number of additional shares of Common Stock offered for subscription or purchase (or into which the convertible securities so offered are initially convertible). Shares of Common Stock owned by or held for the account of the Corporation shall not be deemed outstanding for the purpose of any such computation. Such adjustment shall be made successively whenever such record date is fixed. In the event that such rights, options, warrants or convertible securities are not so issued, the Conversion Price then in effect shall be readjusted to the conversion price which would then be in effect if such record date had not been fixed.

(c) In case the Corporation shall fix a record date for the making of a distribution to all holders of shares of Common Stock (i) of shares of any class of capital stock other than Common Stock or (ii) of evidences of its indebtedness or (iii) of assets (excluding cash dividends or distributions, and dividends or distributions referred to in Subsection (a) above) or (iv) of rights or warrants (excluding those referred to in Subsection (b) above), then, in each such case, the Conversion Price in effect immediately thereafter shall be determined by multiplying the Conversion Price in effect immediately prior thereto by a fraction, of which the numerator shall be the

total number of shares of Common Stock outstanding multiplied by the Closing Price per share on such record date, less the fair market value (as determined in good faith by the Board of Directors, whose determination shall be conclusive, and described in a resolution of the Board of Directors certified by the Secretary or an Assistant Secretary of the Corporation) of said shares or evidences of indebtedness or assets or rights or warrants so distributed, and of which the denominator shall be the total number of shares of Common Stock outstanding multiplied by such Closing Price per share. Such adjustment shall be made successively whenever such a record date is fixed. In the event that such distribution is not so made, the Conversion Price then in effect shall be readjusted to the Conversion Price which would then be in effect if such record date had not been fixed.

(d) In any case in which this Paragraph (ii) shall require that an adjustment shall become effective immediately after a record date for an event, the Corporation may defer until the occurrence of such event (i) issuing to the holder of any shares of Series A Preferred Stock converted after such record date and before the occurrence of such event the additional shares of Common Stock and other capital stock or securities, if any, issuable upon such conversion by reason of the adjustment required by such event over and above the shares of Common Stock and other capital stock or securities, if any, issuable upon such conversion before giving effect to such adjustment and (ii) paying to such holder any amount in cash in lieu of a fractional share pursuant to Paragraph (iii) of this Subsection F; provided, however, that the Corporation shall deliver to such holder a due bill or other appropriate instrument evidencing such holder's rights to receive such additional shares of Common Stock and other capital stock or securities, if any, and such cash, upon the occurrence of the event requiring such adjustment.

(e) No adjustment in the conversion price shall be required unless such adjustment would require an increase or decrease of at least 1% of such price then in effect; provided, however, that any adjustment which by reason of this Subsection (e) is not required to be made shall be carried forward and taken into account in any subsequent adjustment.

(f) All calculations under this Paragraph (ii) shall be made to the nearest cent or to the nearest one-hundredth of a share of Common Stock as the case may be.

(g) Anything in this Paragraph (ii) to the contrary notwithstanding, the Corporation shall be entitled to make such reductions in the Conversion Price, in addition to those adjustments expressly required by this Paragraph (ii), as and to the extent that it in its sole discretion shall determine to be advisable in order that any consolidation or subdivision of the Common Stock, issuance wholly for cash of any Common Stock at less than the Closing Price on the record date, issuance wholly for cash of Common Stock or securities which by their terms are convertible into or exchangeable for Common Stock, dividends on Common Stock payable in Common Stock or issuance of rights, options or warrants referred to hereinabove in Subsection (b), hereafter made by the Corporation to holders of shares of Common Stock shall not be taxable to such stockholders.

(h) If as a result of adjustment made pursuant to Subsection (a), the holders of shares of Series A Preferred Stock thereafter converted shall become entitled to receive any shares of capital stock of the Corporation other than Common Stock, thereafter the number of such other shares so receivable upon conversion of any share of Preferred Stock shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Common Stock contained in Subsections (a) through (c), inclusive.

(iii) No fractional shares of Common Stock and other capital stock or securities, if any, or scrip representing fractional shares of Common Stock and other capital stock or securities, if any, shall be issued upon the conversion of any share or shares of Series A Preferred Stock. If the conversion of a share or shares of Series A Preferred Stock results in a fraction, an amount equal to such fraction multiplied by the Closing Price of the Common Stock and other capital stock or securities, if any, on the Trading Day prior to the conversion shall be paid to such holder in cash by the Corporation. The "Closing Price" for other capital stock or securities shall be determined in the same manner and with the same effect as the "Closing Price" for the Common Stock as defined in Subsection E(i).

(iv) The right of the holders of shares of Series A Preferred Stock to convert their shares shall be exercised by surrendering for such

purpose to the Corporation or its agent, as provided above, certificates representing shares to be converted, duly endorsed in blank or accompanied by proper instruments of transfer. The Corporation shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issue and delivery upon conversion of shares of Common Stock or other capital stock or securities or property in a name other than that of the registered holder of the shares of the Series A Preferred Stock being converted, and the Corporation shall not be required to issue or deliver any such shares of Common Stock or other capital stock or securities or property unless and until the person or persons requesting the issuance thereof shall have paid to the Corporation the amount of any such tax or shall have established to the satisfaction of the Corporation that such tax has been paid or that no such tax is due.

(v) A number of shares of the authorized but unissued Common Stock sufficient to provide for the conversion of the Series A Preferred Stock outstanding upon the basis herein provided shall at all times be reserved by the Corporation, free from preemptive rights, for such conversion, subject to the provisions of the next succeeding paragraph. If the Corporation shall issue any securities or make any change in its capital structure which would change the number of shares of Common Stock into which each share of the Series A Preferred Stock shall be convertible as herein provided, the Corporation shall at the same time also make proper provision so that thereafter there shall be a sufficient number of shares of Common Stock authorized and reserved, free from preemptive rights, for conversion of the outstanding Series A Preferred Stock on the new basis.

(vi) In case of any consolidation or merger of the Corporation with any other corporation (other than a wholly-owned subsidiary of the Corporation or a merger in which the Corporation is the surviving or continuing corporation and its capital stock is unchanged), or in case of any sale or transfer of all or substantially all of the assets of the Corporation, or in the case of any share exchange pursuant to which all of the outstanding shares of Common Stock are converted into other capital stock or securities or property, the Corporation shall make appropriate provision or cause appropriate provision to be made so that the holders of shares of Series A Preferred Stock then outstanding shall have the right thereafter to convert each such share of Series A Preferred Stock into the kind and amount of shares of capital stock and other securities and property receivable upon such consolidation, merger, sale, transfer or share exchange by a holder of the number of shares of Common Stock and other capital stock or securities, if any, into which each such share of Series A Preferred Stock might have been converted immediately prior to such consolidation, merger, sale, transfer or share exchange. If in connection with any such consolidation, merger, sale, transfer or share exchange, each holder of shares of Common Stock is entitled to elect to receive alternative forms of consideration upon completion of such transaction, the Corporation shall provide or cause to be provided to each holder of Series A Preferred Stock upon conversion thereof the shares of capital stock or other securities or property receivable by a holder of Common Stock who failed to make an election with respect to the form of consideration receivable in such consolidation, merger, sale, transfer or share exchange. The Corporation shall not effect any such transaction unless the provisions of this paragraph have been complied with. The above provisions shall similarly apply to successive consolidations, mergers, sales, transfers or share exchanges.

(vii) Upon the surrender of certificates representing shares of Series A Preferred Stock, the person converting shall be deemed to be the holder of record at such time of the shares of Common Stock issuable on such conversion and all rights with respect to the shares of Series A Preferred Stock surrendered shall forthwith terminate except the right to receive the shares of Common Stock or other capital stock or securities or property as herein provided. Except as otherwise provided in Paragraph (ii), no adjustment in the Conversion Price shall be made at the time of conversion in respect of distributions or dividends therefore declared and paid or payable on the Common Stock.

#### G. Voting Rights.

(i) The holders of shares of Series A Preferred Stock will not have any voting rights except as set forth below or as otherwise from time to time required by law. If, on the date used to determine stockholders of record for any meeting of stockholders of the Corporation at which directors are to be elected, dividends on the Series A Preferred Stock and on any other class or series of Parity Dividend Stock shall be in arrears in an amount equal to at least six quarterly dividends (whether or not consecutive), the number of

members of the Board of Directors shall be increased by two as of the date of such meeting and the holders of shares of Series A Preferred Stock (voting separately as a class with the holders of all other affected classes or series of the Parity Dividend Stock upon which like voting rights have been conferred and are exercisable) shall be entitled to vote for and elect such two additional directors of the Board. The right of the holders of Series A Preferred Stock to vote for such two additional directors shall terminate when all accrued and unpaid dividends on the Series A Preferred Stock have been declared and paid or set apart for payment. The term of office of the directors so elected shall terminate immediately upon the termination of the right of the holders of shares of Series A Preferred Stock and such Parity Dividend Stock to vote for such two additional directors. In connection with such right to vote, each holder of shares of Series A Preferred Stock will have one vote for each share held.

(ii) Without the consent or affirmative vote of the holders of at least two-thirds of the outstanding shares of Series A Preferred Stock, voting separately as a class with all other affected series of capital stock ranking on a parity either as to dividends or upon liquidation with the Series A Preferred Stock, the Corporation shall not authorize, create or issue, or increase the authorized amount of, any class or series of capital stock ranking prior to the Series A Preferred Stock as to dividends or upon liquidation. Without the consent or affirmative vote of the holders of at least a majority of the outstanding shares of Series A Preferred Stock, voting separately as a class with all other affected series of capital stock ranking on a parity either as to dividends or upon liquidation with the Series A Preferred Stock, the Corporation shall not increase the authorized amount of any class or series of capital stock ranking on a parity either as to dividends or upon liquidation with the Series A Preferred Stock; provided, however, that no such consent or vote will be required for the issuance of Preferred Stock ranking on a parity with such series from the authorized but unissued Preferred Stock. No consent or vote of the holders of the outstanding shares of Series A Preferred Stock shall be required to authorize, create or issue, or increase the authorized amount of, any class or series of capital stock ranking junior to the Series A Preferred Stock as to dividends and upon liquidation.

(iii) The affirmative vote or consent of the holders of at least a majority of the outstanding shares of Series A Preferred Stock, voting separately as a class with all other series of capital stock ranking on a parity either as to dividends or upon liquidation with the Series A Preferred Stock, shall be required for any amendment, alteration or repeal, of the Corporation's Certificate of Incorporation, if the amendment, alteration or repeal alters or changes the powers, preferences or special rights of the Series A Preferred Stock and any such series so as to affect them materially and adversely; provided, however, that in any case in which one or more, but not all, such series would be adversely affected as to the powers, preferences or special rights thereof, the affirmative vote of the holders of at least a majority of the outstanding shares of all such series that would be adversely affected, voting as a class, shall be required, and the holders of shares of any series that would not be adversely affected shall not be entitled to vote thereon.

Section 5. At the effective time of the amendment to Article IV, Section 1 of this Restated Certificate of Incorporation authorizing the Corporation to issue shares of Common Stock, par value \$.01 per share, each share of Common Stock, par value \$5 per share, of the Corporation issued and outstanding or held in the treasury of the Corporation immediately prior to such effective time, shall be changed into and reclassified as one share of Common Stock, par value \$.01 per share. To reflect such change and reclassification, each certificate representing shares of Common Stock, par value \$5 per share, theretofore issued and outstanding or held in the treasury of the Corporation shall, from and after such effective time, represent a like number of shares of Common Stock, par value \$.01 per share.

#### ARTICLE V

##### Section 1. Vote Required for Certain Business Combinations.

A. Higher Vote for Certain Business Combinations. In addition to any affirmative vote required by law or this Restated Certificate of Incorporation, and except as otherwise expressly provided in Section 2 of this Article V:

(i) any merger or consolidation of the Corporation or any Subsidiary (as hereinafter defined) with (a) any Interested Stockholder (as



hereinafter defined) or (b) any other corporation (whether or not itself an Interested Stockholder) which is, or after such merger or consolidation would be, an Affiliate (as hereinafter defined) of an Interested Stockholder; or

(ii) any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions) to or with any Interested Stockholder or any Affiliate of any Interested Stockholder of any assets of the Corporation or any Subsidiary having an aggregate Fair Market Value of \$50,000,000 or more; or

(iii) the issuance or transfer by the Corporation or any Subsidiary (in one transaction or a series of transactions) of any securities of the Corporation or any Subsidiary to any Interested Stockholder or any Affiliate of any Interested Stockholder in exchange for cash, securities or other property (or a combination thereof) having an aggregate Fair Market Value of \$50,000,000 or more; or

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

(v) 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 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 or equity or convertible securities of the Corporation or any Subsidiary which is directly or indirectly owned by any Interested Stockholder or any Affiliate of any Interested Stockholder;

shall require the affirmative vote of the holders of at least 80% of the voting power of the then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors (the "Voting Stock"), voting together as a single class (it being understood that for purposes of this Article V, each share of the Voting Stock shall have the number of votes granted to it pursuant to Article IV of this Restated Certificate of Incorporation). 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 or in any agreement with any national securities exchange or otherwise.

B. Definition of "Business Combination". The term "Business Combination" as used in this Article V shall mean any transaction which is referred to in any one or more of clauses (i) through (v) of Paragraph A of this Section I.

Section 2. When Higher Vote is Not Required. The provisions of Section 1 of this Article V shall not be applicable to any particular Business Combination, and such Business Combination shall require only such affirmative vote as is required by law and any other provisions of this Restated Certificate of Incorporation, if all of the conditions specified in either the following Paragraphs A and B are met:

A. Approval by Disinterested Directors. The Business Combination shall have been approved by a majority of the Disinterested Directors (as hereinafter defined).

B. Price and Procedure Requirements. All of the following conditions shall have been met:

(i) The aggregate amount of the cash and the Fair Market Value (as hereinafter defined) 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 higher of the following:

(a) (if applicable) the highest per share price (including any brokerage commission, transfer taxes and soliciting dealers' fees) paid by the Interested Stockholder for any shares of Common Stock (or for any shares of common stock of Burroughs Corporation, a Michigan corporation, the predecessor to the Corporation) acquired by it (1) within the two-year period immediately prior to the first public announcement of the proposal of the Business Combination (the "Announcement Date") or (2) in the transaction in which it became an Interested Stockholder, whichever is higher; and

(b) the Fair Market Value per share of Common Stock (or for any shares of common stock of Burroughs Corporation, a Michigan corporation, the predecessor of the Corporation) on the Announcement Date or on the date on which the Interested Stockholder became an Interested Stockholder (such latter date is referred to in this Article V as the "Determination Date"), whichever is higher.

(ii) 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 any other class of outstanding Voting Stock shall be at least equal to the highest of the following (it being intended that the requirements of this paragraph B(ii) shall be required to be met with respect to every class of outstanding Voting Stock, whether or not the Interested Stockholder has previously acquired any shares of a particular class of Voting Stock):

(a) (if applicable) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the Interested Stockholder for any shares of such class of Voting Stock acquired by it (1) within the two-year period immediately prior to the Announcement Date or (2) in the transaction in which it became an Interested Stockholder, whichever is higher;

(b) (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; and

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

(iii) The consideration to be received by holders of a particular class of outstanding Voting Stock (including Common Stock) shall be in cash or in the same form as the Interested Stockholder has previously paid for shares of such class of Voting Stock. If the Interested Stockholder has paid for shares of any class of Voting Stock with varying forms of consideration, the form of consideration for 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 previously acquired by it.

(iv) After such Interested Stockholder has become an Interested Stockholder and prior to the consummation of such Business Combination: (a) 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 the outstanding Preferred Stock; (b) there shall have been (1) no reduction in the annual rate of dividends paid on the Common Stock (except as necessary to reflect any subdivision of the Common Stock), except as approved by a majority of the Disinterested Directors, and (2) an increase in such annual rate of dividends as necessary to reflect any reclassification (including any reverse stock split), recapitalization, reorganization or any similar transaction which has the effect of reducing the number of outstanding shares of the Common Stock, unless the failure so to increase such annual rate is approved by a majority of the Disinterested Directors; and (c) such Interested Stockholder shall have not become the beneficial owner of any additional shares of Voting Stock except as part of the transaction which results in such Interested Stockholder becoming an Interested Stockholder.

(v) 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.

(vi) 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 public stockholders of the Corporation 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).

Section 3. Certain Definitions. For the purpose of this Article V:

A. A "person" shall mean any individual or firm, corporation, partnership, limited partnership, joint venture, trust, unincorporated association or other entity.

B. "Interested Stockholder" shall mean any person (other than the Corporation or any Subsidiary) who or which:

(i) is the beneficial owner, directly or indirectly, of more than 20% of the voting power of the outstanding Voting Stock; or

(ii) 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 20% or more of the voting power of then outstanding Voting Stock; or

(iii) is an assignee of or has otherwise succeeded to 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, 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.

C. A person shall be a "beneficial owner" of any Voting Stock:

(i) which such person or any of its Affiliates or Associates (as hereinafter defined) beneficially owns, directly or indirectly; or

(ii) which such person or any of its Affiliates or Associates has (a) the right to acquire (whether such right is exercisable immediately or only after the passage of time), pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise, or (b) the right to vote pursuant to any agreement, arrangement or understanding; or

(iii) 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.

D. For the purpose of determining whether a person is an Interested Stockholder pursuant to Paragraph B of this Section 3, the number of shares of Voting Stock deemed to be outstanding shall include shares deemed owned through application of Paragraph C of this Section 3, but shall not include any other shares of Voting Stock which may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.

E. "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 February 24, 1984.

F. "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 B of this Section 3, 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.

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

H. "Fair Market Value" means (i) 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 the 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, Inc. Automated Quotation System or any 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 the Board in good faith; and (ii) 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 the Board in good faith.

I. In the event of any Business Combination in which the Corporation survives, the phrase "other consideration to be received" as used in Paragraphs B(i) and (ii) of Section 2 of this Article V shall include the shares of Common Stock and/or the shares of any other class of outstanding Voting Stock retained by the holders of such shares.

#### Section 4. Powers of the Board of Directors.

A majority of the directors of the Corporation shall have the power and duty to determine for the purposes of this Article V, on the basis of information known to them after reasonable inquiry, (A) whether a person is an Interested Stockholder, (B) the number of shares of Voting Stock beneficially owned by any persons, (C) whether a person is an Affiliate or Associate of another and (D) whether the assets which are the subject of any Business Combination have, or the consideration to be received for the issuance or transfer of securities by the Corporation or any Subsidiary in any Business Combination has, an aggregate Fair Market Value of \$50,000,000 or more.

Section 5. No Effect on Fiduciary Obligations of Interested Stockholders. Nothing contained in this Article V shall be construed to relieve any Interested Stockholder from any fiduciary obligation imposed by law.

### ARTICLE VI

#### BOARD OF DIRECTORS

Section 1. Number. The business and affairs of the Corporation shall be managed under the direction of the Board of Directors which, subject to any right of the holders of any series of Preferred Stock then outstanding to elect additional directors under specified circumstances, shall consist of not less than 10 nor more than 20 persons. The exact number of directors within the minimum and maximum limitations specified in the preceding sentence shall be fixed from time to time by the Board of Directors pursuant to a resolution adopted by a majority of the entire Board of Directors.

Section 2. Terms. The directors other than those who may be elected by the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation, shall be divided into three classes, as nearly equal in number as possible, with the term of office of the first class to expire at the 1985 Annual Meeting of Stockholders, the term of office of the second class to expire at the 1986 Annual Meeting of Stockholders and the term of office of the third class to expire at the 1987 Annual Meeting of Stockholders. At each Annual Meeting of Stockholders following such initial classification and election, directors elected to succeed those directors whose terms expire shall be elected for a term of office to expire at the third succeeding Annual Meeting of Stockholders after their election.

Section 3. Stockholder Nomination of Director Candidates. Advance notice of stockholder nominations for the election of directors shall be given in the manner provided in the Bylaws of the Corporation.

Section 4. Newly Created Directorships and Vacancies. Subject to the rights of the holders of any series of Preferred Stock then outstanding, newly created directorships resulting from any increase in the authorized number of directors or any vacancies in the Board of Directors resulting from death, resignation, retirement, disqualification, removal from office or other cause shall be filled by a majority vote of the directors then in office, and directors so chosen shall hold office for a term expiring at the Annual Meeting of Stockholders at which the term of the class to which they have been elected expires. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

Section 5. Removal. Subject to the rights of the holders of any series of Preferred Stock then outstanding, any director, or the entire Board of Directors, may be removed from office at any time, but only for cause and only

by the affirmative vote of the holders of at least 80% of the voting power of all of the shares of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

## ARTICLE VII

### STOCKHOLDER ACTION

Any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of stockholders of the Corporation and may not be effected by any consent in writing by such stockholders. Except as otherwise required by law and subject to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation, special meetings of stockholders of the Corporation may be called only by the Board of Directors pursuant to a resolution approved by a majority of the entire Board of Directors.

## ARTICLE VIII

### BYLAW AMENDMENTS

The Board of Directors shall have power to make, alter, amend and repeal the Bylaws of the Corporation (except so far as the Bylaws of the Corporation adopted by the stockholders shall otherwise provide). Any Bylaws made by the Directors under the powers conferred hereby may be altered, amended or repealed by the Directors or by the stockholders. Notwithstanding the foregoing and anything contained in this Restated Certificate of Incorporation or the Bylaws to the contrary, Sections 2 and 3 of Article I and Sections 1 through 5 of Article II of the Bylaws shall not be altered, amended or repealed and no provision inconsistent therewith shall be adopted without the affirmative vote of the holders of at least 80% of the voting power of all the shares of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

## ARTICLE IX

### AMENDMENTS TO CERTIFICATE OF INCORPORATION

Notwithstanding any other provisions of the Certificate of Incorporation or the Bylaws of the Corporation (and notwithstanding the fact that a lesser percentage may be specified by law, this Certificate of Incorporation or the Bylaws of the Corporation), the affirmative vote of the holders of 80% or more of the voting power of the shares of the then outstanding voting stock of the Corporation, voting together as a single class, shall be required to amend or repeal, or adopt any provisions inconsistent with, Articles V, VI, VII, VIII or this Article IX of this Restated Certificate of Incorporation.

## ARTICLE X

Section 1. Elimination of Certain Liability of Directors. A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit.

### Section 2. Indemnification and Insurance.

(a) Right to Indemnification. Each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a director or officer, of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, employee or agent, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the Delaware General Corporation Law, as the same

exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that, except as provided in Paragraph (b) hereof, the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation. The right to indemnification conferred in this Section shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, that, if the Delaware General Corporation Law requires, the payment of such expenses incurred by a director or officer in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding, shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified under this Section or otherwise. The Corporation may, by action of its Board of Directors, provide indemnification to employees and agents of the Corporation with the same scope and effect as the foregoing indemnification of directors and officers.

(b) Right of Claimant to Bring Suit. If a claim under Paragraph (a) of this Section is not paid in full by the Corporation within thirty days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Corporation) that the claimant has not met the standards of conduct which make it permissible under the Delaware General Corporation Law for the Corporation to indemnify the claimant for the amount claimed, but the burden of providing such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

(c) Non-Exclusivity of Rights. The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Section shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, Bylaw, agreement, vote of stockholders or disinterested directors or otherwise.

(d) Insurance. The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any such expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation Law.

IN WITNESS WHEREOF, said Unisys Corporation has caused this certificate to be signed by Harold S. Barron, its Senior Vice President, General Counsel and Secretary, and attested by Ronald C. Anderson, its Assistant Secretary, this 25th day of July, 1997.

By: /s/ Harold S. Barron

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Harold S. Barron  
Senior Vice President, General  
Counsel and Secretary

ATTEST:

By: /s/ Ronald C. Anderson  
-----  
Ronald C. Anderson  
Assistant Secretary

July 2, 1997

Mr. James A. Unruh  
Chairman and Chief Executive Officer  
Unisys Corporation  
P. O. Box 500  
Blue Bell, PA 19424

Dear Jim:

You are presently employed by Unisys Corporation (the "Corporation") as Chairman of the Board and Chief Executive Officer under the terms of a letter agreement dated August 10, 1994 (as amended on July 28, 1995), and an Employment Agreement dated July 28, 1995. This letter agreement (the "Agreement") supersedes and replaces the letter agreement dated August 10, 1994 (as amended on July 28, 1995), and the Employment Agreement dated July 28, 1995, and describes the terms and conditions of your employment with the Corporation on and after the date hereof until April 30, 1998 (the "Term"). The provisions of this Agreement are as follows:

1. Base Salary. You shall continue to serve, at the pleasure of the Board of Directors, as Chief Executive Officer and/or Chairman of the Board of the Corporation at a base salary at the annual rate of not less than \$836,000 per year.

2. Annual Bonus. You shall be eligible to receive an annual bonus award at a target bonus level of not less than 100% of your base salary. If your employment is terminated by the Corporation without cause or upon your serving as an employee of the Corporation from the date hereof until completion of the Term, you will be eligible to receive a pro rata bonus for the year in which your employment is terminated based on the percentage of the year you were employed by the Corporation. The actual annual or pro rata bonus paid to you, if any, shall be determined by the Compensation and Organization Committee of the Board of Directors (the "Committee") in its sole discretion and shall be based on such factors as it deems appropriate. Your actual annual or pro rata bonus payments, if any, shall be made in cash at the time of the award, subject to your election to defer receipt of all or any portion of the bonus award in accordance with the terms of the Deferred Compensation Plan for Officers of Unisys Corporation (or any successor deferred compensation program).

3. Benefit Programs. During your employment hereunder, you shall participate in the retirement, welfare, fringe, and perquisite programs generally made available to executive officers of the Corporation and at such benefit levels customarily provided to the Chief Executive Officer and/or Chairman of the Board of the Corporation.

4. Service on Other Boards. During the term of your employment hereunder, you shall render your full-time attention to the business affairs of the Corporation. You may serve on the board of directors of other companies as expressly approved by the Board of Directors of the Corporation in its discretion. However, so long as you serve as Chief Executive Officer of the Corporation, you agree not to actively seek other employment.

5. Death or Disability. In the event of your disability or death prior to the date of the termination of your employment hereunder, all future compensation under this Agreement (other than those amounts and benefits described in the following sentence) shall terminate. You and your estate shall receive (a) an annual bonus award for the year in which you terminate employment in an amount equal to a pro rata portion, based on the period of service rendered, of the bonus amount paid in the previous year, (b) benefits under the retirement, welfare, incentive, fringe and perquisite programs generally available to executive officers upon disability or death and (c) any deferred account balance under the Deferred Compensation Plan for Officers of Unisys Corporation (or any successor deferred compensation program) in accordance with the terms of such plan. For purposes of this Agreement, disability means a mental or physical injury or illness which renders you incapable of substantially performing your duties hereunder. The determination of whether you are



disabled for purposes of this Section 5, and when you became disabled, shall be made by a medical doctor jointly selected by the Committee and you or your representative, and such determination shall be final and binding on all parties.

6. Termination of Employment.

(a) Your employment may be terminated by the Company at any time with or without cause. In the event that you are terminated for "cause" (as defined below) or you terminate your employment, no further amounts shall be paid to you hereunder except as otherwise provided under the normal terms of the retirement, welfare, incentive, fringe, and perquisite programs in which you participated at your date of termination.

(b) Upon termination by the Corporation without cause or upon your serving as an employee of the Corporation from the date hereof until completion of the Term, you shall be entitled to the following:

(1) Base salary through the completion of the Term to the extent not theretofore paid, plus such bonus as may be determined as provided in Section 2 hereof.

(2) Termination payments for a period of 24 months following completion of the Term in the amount determined as follows:

(A) For purposes of this Section 6(b), termination payments for the first 12 months following completion of the Term shall consist of base salary (at its then current rate on the date of termination) and annual bonus (in an amount equal to 50% of your target bonus, times your base salary both as in effect at your date of termination).

(B) For purposes of this Section 6(b), termination payments for the 13th to the 24th month following the completion of the Term shall consist of base salary (at its then current rate on the date of termination) and annual bonus (in an amount equal to 50% of your target bonus, times your base salary both as in effect at your date of termination).

(C) The amount of base salary and annual bonus payable to you for the 13th month to the 24th month following the completion of the Term shall be reduced by the amount of cash compensation, if any, earned by you during such period for services rendered to any other entity as an employee, independent contractor, consultant, officer, director, or in any other capacity, provided, however, that compensation earned by you for service as a director of any corporation shall not cause such a reduction to the extent such compensation is based on the same fee structure as is received by all other directors thereof for Board service.

Such termination payments shall be paid in the same manner and at the same times as the salary and annual bonus due hereunder during employment.

(3) For a period ending on the earlier of (A) 24 months following your date of termination, or (B) your becoming eligible for medical, dental or life insurance from another employer, continued participation, at the same costs applicable to active employees in the Unisys medical, dental and life insurance plans (or, if such participation is prohibited by applicable law or the terms of the plans, participation in arrangements that will provide benefits substantially similar to those available under the Unisys medical, dental and life insurance plans) for you and your eligible dependents, subject, however, to the generally applicable terms of such plans.

(4) Following the period of participation in active employee benefits under Section 6(b)(3) hereof, you shall be entitled to receive the post-retirement medical and post-retirement life insurance coverage generally available to other

retired executive officers;

(5) Full vesting in all stock options, restricted stock and other awards made under the Corporation's Long-Term Incentive Plans (or under any successor incentive plan thereto), effective as of the end of the Term; for purposes of stock option, SAR and other equity-based award exercise rights under the applicable Long-Term Incentive Plans (or any successor incentive plan thereto), you shall be treated as if you had retired on your normal retirement date as of your date of termination;

(6) Extension of the repayment period on any corporate interest-free home mortgage loan until the first to occur of the following: (i) the fifth anniversary of your date of termination; (ii) the date on which your home is sold; or (iii) the date on which your home is leased, unless such action has been approved by the Committee in its sole discretion.

(c) For purposes of this Agreement, "cause" shall mean intentional dishonesty or gross neglect of your duties.

(d) You shall not be entitled to receive payments under the Corporation's Income Assistance Plan or any successor severance or income assistance plan generally applicable to employees of the Corporation.

(e) For a period beginning on the first day of the month following your date of termination and ending on the earlier of (A) 24 months following such date, or (B) the date you commence employment with another employer, the Corporation will reimburse you for office and secretarial expenses incurred by you in an amount not to exceed \$4,167 per month.

(f) The payments provided for in this Section 6 are being extended to you to provide you with reasonable severance compensation in connection with your retirement from active service with the Corporation and in recognition of your service to the Corporation as Chairman of the Board and Chief Executive Officer, and not to any degree whatsoever in contemplation of a change of control of the Corporation.

#### 7. Conduct Following Termination of Employment.

(a) During the 24 month period following your date of termination, you hereby agree that you will not:

(1) without the prior written approval of the Committee, become engaged or employed as a business owner, employee or consultant in any activity which is in competition with any line of business of the Corporation existing as of your date of termination;

(2) directly or indirectly (including through someone else acting on your recommendation, suggestion, identification or advice) solicit any existing employee of the Corporation to leave the employ of the Corporation;

(3) use or disclose to anyone any confidential information regarding the Corporation; or

(4) negatively comment, publicly or privately, about the Corporation (or its subsidiaries or affiliates), any of its products, services or other businesses, its present or past Board of Directors, its officers or employees.

(b) Upon completion of the Term or, if earlier, on your date of termination, you hereby agree that you will thereafter:

(1) resign, upon request, as a director and officer of the Corporation and any subsidiaries or affiliates of the Corporation;

(2) make yourself available upon request to provide accurate information or testimony or both in connection with any legal matter affecting the Corporation or any of its

subsidiaries or affiliates, subject to reasonable accommodation of your schedule and reimbursement of reasonable expenses (which shall include the reasonable expenses of counsel retained by you in connection therewith); and

(3) promptly advise the Senior Vice President - Human Resources of the Corporation of any facts which could cause a reduction in the amounts payable to you or the benefits received by you pursuant to Sections 6(b)(2)(C) or 6(b)(3) hereof.

In the event you breach any term of Section 7(a), the Corporation may cancel or terminate all benefits and payments remaining to be made to you or on your behalf under Section 6(b) hereof, invoke applicable provisions of the Corporation's Elected Officer Pension Plan, and obtain any injunctive relief to which it may be entitled.

If you do not breach any term of Section 7(a) during the 24 month period following your date of termination, the Corporation agrees that it will not thereafter invoke against you the provisions of Section 6.04(a) of the Corporation's Elected Officer Pension Plan.

#### 8. Change of Control.

(a) If a Change of Control shall occur during the Term and prior to your date of termination, and the Corporation shall thereafter terminate your employment prior to the completion of the Term other than for cause, death or disability:

(1) the Corporation shall pay to you in a lump sum in cash within 30 days after your date of termination the aggregate of the following amounts:

(A) the sum of (i) your base salary through the completion of the Term to the extent not theretofore paid, (ii) a bonus pro-rated for the portion of the year until your date of termination at the rate provided in Section 6(b)(2)(A), (iii) the amount payable to you under Section 6(b)(2)(A) hereof and (iv) the amount payable to you under Section 6(b)(2)(B) hereof, subject to repayment by you under the provisions of Section 6(b)(2)(C) hereof; and

(B) an amount equal to the excess of (i) the actuarial equivalent of the benefit under the Corporation's qualified defined benefit retirement plan (the "Retirement Plan") (utilizing actuarial assumptions no less favorable to you than those in effect under the Company's Retirement Plan immediately prior to your date of termination), and any excess or supplemental retirement plan in which you participate (the "SERP") which you would receive if your employment continued through the completion of the Term, assuming that your compensation is that required by Section 1 and Section 2 hereof, over (ii) the actuarial equivalent of your actual benefit (paid and payable), if any, under the Retirement Plan and the SERP as of your date of termination.

(b) For the purpose of this Section 8, a "Change of Control" shall mean:

(1) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (A) the then outstanding shares of common stock of the Corporation (the "Outstanding Corporation Common Stock") or (B) the combined voting power of the then outstanding voting securities of the Corporation entitled to vote generally in the election of directors (the "Outstanding

Corporation Voting Securities"); provided, however, that for purposes of this Section 8(b)(1), the following acquisitions shall not constitute a Change of Control:

(i) any acquisition directly from the Corporation, (ii) any acquisition by the Corporation, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Corporation or any corporation controlled by the Corporation, or (iv) any acquisition by any corporation pursuant to a transaction which complies with clauses (A), (B) and (C) of Section 8(b)(3) hereof; or

(2) Individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Corporation's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(3) Consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Corporation (a "Business Combination"), in each case, unless, following such Business Combination, (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Corporation Common Stock and Outstanding Corporation Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Corporation or all or substantially all of the Corporation's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Corporation Common Stock and Outstanding Corporation Voting Securities, as the case may be, (B) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Corporation or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (C) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(4) Approval by the stockholders of the Corporation of a complete liquidation or dissolution of the Corporation.

9. Successors. This Agreement shall be binding upon the Corporation and

its successors and assigns. The Corporation will require any such successor to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Corporation would be required to perform it if no such succession had taken place.

10. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by you and such officer as may be specifically designated by the Corporation. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the Commonwealth of Pennsylvania without giving effect to the provisions thereof relating to conflicts of laws.

11. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

12. Other Agreements. It is not intended that you shall receive duplicate rights and benefits under this Agreement and any other agreement, contract, plan, or other arrangement with, or sponsored by, the Corporation. This Agreement supersedes and replaces all prior understandings and agreements between you and the Corporation.

13. Arbitration. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in Philadelphia, Pennsylvania in accordance with the rules of the American Arbitration Association. Any arbitration award will be final and conclusive upon the parties, and a judgment enforcing such award may be entered in any court of competent jurisdiction. The expenses incurred by you in pursuing arbitration (including reasonable legal fees and expenses) will be borne by the Corporation unless the arbitrator determines that you have caused the dispute to be submitted to arbitration in bad faith.

14. Corporate Approval. This Agreement has been authorized by the Board and approved by the Committee.

If the foregoing sets forth our agreement with you, please sign and return to us the enclosed copy of this Agreement.

Very truly yours,

UNISYS CORPORATION

The foregoing is accepted:

\_\_\_\_\_  
Kenneth A. Macke, Chairman  
Compensation and Organization  
Committee  
Board of Directors

\_\_\_\_\_  
James A. Unruh

September 23, 1997

Mr. Lawrence A. Weinbach  
c/o Unisys Corporation  
P. O. Box 500  
Township Line and Union Meeting Roads  
Blue Bell, Pennsylvania 19424

Dear Mr. Weinbach:

I am pleased to offer you the position of Chairman of the Board, President and Chief Executive Officer of Unisys Corporation (the "Corporation" or "Unisys"). This letter agreement (the "Agreement") describes the terms and conditions of your employment with the Corporation:

1. Base Salary. You will serve as Chairman of the Board, President and Chief Executive Officer of the Corporation at a base salary at the annual rate of not less than \$1,200,000 per year. Your base salary level will be reviewed periodically, but no less frequently than annually, by the Compensation and Organization Committee (the "Committee") of the Board of Directors or its successor.

2. Annual Bonus. (a) You will participate in the Executive Variable Compensation ("EVC") Plan (or any successor bonus plan) and your target will not be less than 100% of your annual paid salary. The actual EVC paid to you, if any, will be determined by the Committee in its sole discretion and will be based on such factors as it deems appropriate. Your actual EVC payments, if any, will be made in cash at the time of the award, subject to your election to defer receipt of all or any portion of the EVC award in accordance with the terms of the Deferred Compensation Plan for Officers of Unisys Corporation (or any successor deferred compensation program).

(b) For the 1997 EVC award year you will be guaranteed a minimum EVC payout equal to 100% of the base salary amounts paid to you in 1997, provided that you continue to be employed by the Corporation through the 1997 EVC payout date. For the 1998 and 1999 EVC award years, you will be guaranteed a minimum EVC payout equal to 100% of the base salary paid to you in each year, provided that you continue to be employed by the Corporation through the applicable EVC payout date for each of those years.

(c) Promptly after your first day of employment with the Corporation, you will receive a one-time bonus of \$1,500,000, payable to you in cash.

3. Long-Term Incentive Awards. (a) You will be eligible to receive stock option awards under the terms of the 1990 Long-Term Incentive Plan (or any successor stock option plan) and will receive stock option awards in each year in which such awards are made to other executive officers generally. You will also be eligible to receive long-term performance awards and restricted share awards under the terms of the 1990 Long-Term Incentive Plan (or any successor thereto) in each year in which such awards are made to executive officers generally.

(b) Effective as of your first day of employment, you will be awarded a stock option grant under the terms of the 1990 Long-Term Incentive Plan for 1,000,000 shares of Unisys common stock, which grant will vest 25% (of the original grant) after one year, 50% (of the original grant) after two years, 75% (of the original grant) after three years and 100% (of the original grant) after four years from the effective date of the grant. The exercise price for the grant will be the Fair Market Value (as defined in the 1990 Long-Term Incentive Plan) of Unisys common stock on the date of grant.

(c) Effective as of your first day of employment, you will receive a restricted share grant for a number of shares of Unisys common stock having a value of \$2,000,000, based on the Fair Market Value (as defined in the 1990 Long-Term Incentive Plan) of Unisys common stock on your first day of employment. The restricted share grant will be made under the terms of the 1990 Long-Term Incentive Plan and will vest 25% on your first day of employment, 50% (of the original grant) after one year, 75%

(of the original grant) after two years, and 100% (of the original grant) after three years from your first day of employment. Unless otherwise provided in this Agreement, you will forfeit any remaining unvested portion of the restricted share grant upon your termination of employment or in the event that you do not continue to own a number of unrestricted shares of Unisys common stock equal to the "Purchased Shares" (as defined in Section 4). You agree that you will not sell the shares that become unrestricted as a result of the vesting of the restricted share grant made under this Section 3(c) before the earlier of (i) six months following the date on which the shares become unrestricted or (ii) your termination of employment, provided that such sale is in compliance with applicable law.

(d) In each year in which you recognize income as a result of the total or partial vesting of the restricted share grant made under Section 3(c), you will be entitled to receive an additional payment (a "Section 3 Gross-Up Payment") in an amount such that after payment by you of all federal, state and local taxes, including any income taxes imposed upon the Section 3 Gross-Up Payment, you retain an amount of the Section 3 Gross-Up Payment equal to the federal, state and local taxes imposed on the income, including the Section 3 Gross-Up Payment, so recognized in such year.

4. Stock Purchase Obligation. On your first day of employment, you will pay to the Corporation \$1,000,000 in cash in exchange for shares of Unisys common stock having a value of \$1,000,000 (based on the Fair Market Value (as defined in the 1990 Long-Term Incentive Plan) of Unisys common stock on such date). The number of shares purchased by you under this Section 4 will be referred to as the "Purchased Shares".

5. Benefit Programs; Perquisites. (a) You will receive all the supplemental executive benefits associated with the position of Chairman, President and Chief Executive Officer, including a company car allowance of \$900 per month. You also will be eligible for a membership in two approved luncheon clubs, an annual executive physical, supplemental life insurance equal to four times annual base salary plus target EVC (in addition to the Corporation's Group Term Life Insurance), post-retirement life insurance of \$1,000,000, umbrella personal liability insurance up to \$5,000,000 and contribution toward financial counseling services of \$12,000 for the first year and \$7,200 per year thereafter. In addition, you and your eligible dependents will be eligible to participate in all basic retirement, welfare (including post-retirement medical) and other benefit arrangements generally applicable to executive officers, in accordance with the terms of such arrangements. You will be entitled to receive four weeks of vacation each year. Reasonable expenses associated with the performance of the duties of your position will be reimbursed in accordance with normal Unisys policies. You are also eligible to join a country club of your choice and Unisys will pay your initiation fees and annual dues. Unisys shall reimburse you for reasonable legal expenses incurred by you in negotiating this Agreement.

6. Relocation. You agree to establish a residence in the Philadelphia area and you will be eligible for the benefits provided under the Unisys Moving and Relocation Policy. In addition, Unisys will reimburse you for the reasonable cost of a temporary residence in the Philadelphia area for up to one year and for the reasonable cost of commuting to and from New York once a week for up to one year. Notwithstanding anything in the Unisys Moving and Relocation Policy to the contrary, Unisys agrees that (i) you will be eligible for relocation marketing and housing sale assistance with respect to either your Weston, Connecticut residence or your New York City apartment (but not both); (ii) you will be eligible to move household goods from either the Connecticut residence or the New York City apartment (or both) to the Philadelphia area; (iii) you will be eligible to make a reasonable number of house-hunting trips in connection with your relocation; and (iv) relocation amounts payable to you pursuant to this Section 6 shall be grossed-up for federal, state and local income taxes in amounts such that after payment by you of all such taxes on the reimbursement amount and the gross-up payment, you retain an amount equal to the reimbursement.

7. Supplemental Pension.

(a) You will be entitled to a pension benefit for your life that will be fully vested as of your first day of employment determined as follows:

Full Years of Service Annual Accrued Benefit

0-3	\$ 350,000
4	\$ 570,000
5	\$ 710,000
6	\$ 860,000
7 or more	\$1,000,000

Anything herein to the contrary notwithstanding, if at any time prior to the second anniversary of your first day of employment (i) you are terminated for "cause" (as defined in Section 10(c)) or (ii) you terminate your employment for other than "good reason" (as defined in Section 10(c)), you will forfeit the benefit accrued under the schedule above, and you will not be entitled to receive any benefit under the Unisys Elected Officer Pension Plan.

(b) If you die prior to commencement of your benefit under Section 7, your spouse will be entitled to a life annuity under this Section 7 equal to 50% of the pension to which you would have been entitled (less any amounts due alternate payees under any qualified domestic relations orders) assuming you had retired and had been receiving retirement payments at the time of your death based on your credited service to that date. Such survivor's benefit shall be offset by any other survivor's pension benefit provided to your spouse under any other Unisys pension plan.

(c) Except as otherwise provided in this Section 7, your pension benefit shall be determined in accordance with the provisions of the Unisys Elected Officer Pension Plan as in effect on the date of this Agreement, provided, however, that (i) service on the board of directors of other companies will not cause a suspension or forfeiture of benefits under Section 6.04 of the Unisys Elected Officer Pension Plan; (ii) service as an employee of or consultant to an entity a unit of which is in competition with Unisys will not cause a suspension or forfeiture of benefits under Section 6.04 of the Unisys Elected Officer Pension Plan, provided that it can be demonstrated to the reasonable satisfaction of the Committee that procedures are in place to assure that the unit that is in competition with Unisys and any director, officer, employee, consultant or other representative of such unit cannot directly or indirectly avail itself of your services, (iii) service as an employee of or consultant to an entity that provides consulting services to other entities, one or more of which are in competition with Unisys, will not cause a suspension or forfeiture of benefits under Section 6.04 of the Unisys Elected Officer Pension Plan, provided that it can be demonstrated to the reasonable satisfaction of the Committee that procedures are in place to assure that no entity that is in competition with Unisys nor any director, officer, employee, consultant or other representative of such unit can directly or indirectly avail itself of your services, (iv) "cause" in Section 6.04(b) shall be deemed to be defined as provided in this Agreement; and (v) no activity in which you engage while employed under this Agreement which you have undertaken in the good faith belief that it is in the best interests, or that it is not opposed to the best interests of Unisys, shall be deemed the basis for suspending or forfeiting your benefits under Section 6.04 of the Unisys Elected Officer Pension Plan.

(d) Notwithstanding anything to the contrary, if any provision of this Agreement is inconsistent with any term of the Unisys Elected Officer Pension Plan, including without limitation Section 6.04, the terms of this Agreement shall prevail, and if such plan is terminated, it shall be deemed to continue for purposes of providing the benefit in this Section 7.

8. Service on Other Boards. During the term of your employment hereunder, you will render substantially all of your business time to the business affairs of the Corporation. You may serve on the board of directors of other companies and non-profit organizations as expressly approved by the Board of Directors in its discretion.

9. Death or Disability. If you die or your termination of employment is due to your becoming "disabled", you or your estate will be entitled to the following:

(a) All restrictions on any outstanding restricted stock grant will



immediately lapse;

(b) An EVC award for the year in which you terminate employment in an amount equal to a pro rata portion, based on the period of service rendered in such year, of (i) the EVC amount paid for the previous year or (ii) the guaranteed EVC described in Section 2(b) if termination occurs in 1997 or 1998;

(c) Any benefits available under the retirement, welfare, incentive, fringe benefit, deferred compensation and perquisite programs generally available to executive officers upon disability or death; and

(d) Any benefits available under Section 7, provided, however, that if your termination is due to disability, you will continue to accrue service for purposes of calculating your benefit under Section 7 until the earlier to occur of (i) the date on which your disability ends or (ii) the date on which you commence receipt of benefits under the Unisys Elected Officer Pension Plan.

You will be considered "disabled" if you meet the requirements for a long-term disability under the terms of the Unisys Long-Term Disability Plan, regardless of whether you participate in such plan. The determination of whether you are disabled shall be made by the claims administrator of the Unisys Long-Term Disability Plan in accordance with the procedures generally applicable under such plan. If you become disabled, you will be entitled to the benefits described in this Section 9 and not those described in Section 10.

10. Termination of Employment. (a) Your employment may be terminated by the Corporation at any time with or without cause. In the event that you are terminated for "cause" (as defined below) or you terminate your employment for other than "good reason" (as defined below), no further amounts will be paid to you hereunder except as otherwise provided under Section 7 of this Agreement and under the normal terms of the retirement, welfare, incentive, fringe, and perquisite programs in which you participated at your date of termination.

(b) Upon termination by the Corporation without cause or your termination for good reason, you will be entitled to the following:

(1) An amount equal to 100% of the base salary (at its then current rate on the date of termination) payable for the remaining term of employment hereunder as if you had continued to work through such remaining term of employment, but in no event less than one year's base salary. Such termination payments will be paid in the same manner and at the same times as the base salary payments would have been paid during employment and the period during which such payments are to be made will be referred to as the "Salary Continuation Period";

(2) If termination of employment occurs prior to the EVC payout date for the previous EVC award year, an EVC payment for such previous award year in an amount determined under Section 2(a) or 2(b), as applicable and notwithstanding your termination of employment prior to the EVC payout date. Such payment will be made at the same time that such EVC payment would have been made had you continued to be employed;

(3) An EVC payment for the year in which such termination occurs in an amount equal to your target EVC percentage as of your date of termination or, if such termination occurs in 1997 or 1998, 100% times the base salary paid to you in the year in which you terminated through your termination date. Such payment will be made promptly following your termination of employment;

(4) An annual EVC award payable for the one-year period following your termination of employment in an amount equal to your target EVC percentage as of your date of termination times the payments made to you under Section 10(b)(1) during such one-year period. Such payment will be made promptly following the expiration of the one-year period;

(5) Continued participation, at the same costs applicable to active employees, through the Salary Continuation Period, in the Unisys Medical and Dental Plans (or, if such participation is prohibited by applicable law or the terms of the plans, participation in arrangements that will provide benefits substantially similar to those available under the

Unisys Medical and Dental Plans) for you and your eligible dependents, subject, however, to the generally applicable terms of such plans;

(6) Immediate and full vesting in all stock options, restricted share and other awards made under the 1990 Long-Term Incentive Plan (or under any successor incentive plan thereto); for purposes of stock option, SAR and other equity-based award exercise rights under the 1990 Long-Term Incentive Plan (or any successor incentive plan thereto), you will be treated as if you had retired on your normal retirement date as of your date of termination; and

(7) Your benefit under the Unisys Elected Officer Pension Plan, as modified under Section 7 of this Agreement, will be calculated as if you had continued to be employed for one year following your date of termination.

(c) For purposes of this Section 10, "cause" means (i) your gross neglect of your duties or (ii) your commission of an act which the Board of Directors determines in good faith constitutes fraud, theft or dishonesty against the Corporation or any of its subsidiaries or affiliates, or (iii) your commission of a felony or a crime of moral turpitude. "Good reason" means (i) a reduction in your aggregate compensation target (base salary plus EVC target), as such amounts may be increased during the term of this Agreement or a material reduction of any employee benefit enjoyed by you, unless such reduction is due to a reduction in compensation or benefits generally applicable to executive officers or (ii) a reduction in your duties or authority, a change in reporting structure such that you report to someone other than the Board of Directors, or your removal as Chairman of the Board, President or Chief Executive Officer of the Corporation or its successor unless such reduction, change or removal is (x) for cause, as defined above, (y) is done with your written consent, or (z) is on account of your inability to substantially perform your duties for an aggregate of 90 days within any consecutive 12 month period due to your becoming "disabled" (within the meaning of the Unisys Long-Term Disability Plan, regardless of whether you participate in such plan and provided that such determination will be made by the claims administrator of the Unisys Long-Term Disability Plan after the 90-day period described in this Section 10(c)(ii)(2)), and provided that your resignation occurs within 90 days after such reduction, change or removal or (iii) the failure of the Corporation to obtain the assumption in writing of its obligation to perform this Agreement by any successor to all or substantially all of the assets of the Corporation within 15 days after the effective date of a merger, consolidation, sale or similar transaction, unless you consent to the Corporation's not obtaining such assumption. Notwithstanding the foregoing, if there is a reduction in your duties or authority, a change in your reporting structure and/or you have been removed as Chairman, President and/or Chief Executive Officer as a result of becoming disabled under this Section 10(c)(ii)(2), but you do not qualify for long-term disability benefits under the Unisys Long-Term Disability Plan (regardless of whether you participate in such plan) after the six-month period required in the Plan, then you shall be entitled to terminate your employment for "good reason" provided that you make yourself available to return to work promptly after the determination is made that you are not "disabled" and further provided that upon your return to work, the Corporation does not restore the duties, authority, and/or reporting structure that were in place before you became disabled under this Section 10(c)(ii)(2) and does not restore your position as Chairman, President and Chief Executive Officer.

(d) The amounts payable to you under Section 10(b)(1) following your termination of employment will be reduced by the amount of cash compensation, if any, earned by you for services rendered to any other entity as an employee, independent contractor, consultant, officer, director, or in any other capacity, provided however, that (i) no such reduction will be applied during the two-year period following your termination of employment, and (ii) compensation earned by you for service as a director of any corporation will not cause such a reduction to the extent such compensation is based on the same fee structure as is received by all other directors thereof for Board service. You will promptly advise the Senior Vice President - Human Resources of the Corporation of any facts that could cause such a reduction in the amounts payable to you under Section 10(b)(1). Upon written notice from the Corporation, you will promptly reimburse to the Corporation any overpayments made to you as a result of your receipt of the cash

compensation described in the first sentence of this Section 10(d), provided that the amount you are required to reimburse shall be on an after-tax basis (that is the amount determined, after taking into account any taxes incurred by you on such overpayment less the tax benefit, if any, you may derive from repayment to the Corporation). Notwithstanding anything herein to the contrary, you shall have no obligation to seek other employment.

(e) At the time the parties enter into this Agreement, you and the Corporation will enter into an Executive Employment Agreement. Payments under this Agreement are not intended to duplicate payments under any other Unisys agreement or severance program, including, without limitation, your Executive Employment Agreement. To the extent that you may be entitled to receive duplicate payments under this and any other Unisys agreement or program, the provisions of that agreement or program which is most favorable to you or provides you with the greater benefit shall be effective.

11. Certain Additional Payments by the Corporation. (a) Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any payment or distribution by the Corporation to or for your benefit (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 11) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by you with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then you shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by you of all federal, state and local taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, you retain an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments, including the Gross-up Payment.

(b) Subject to the provisions of Section 11(c), all determinations required to be made under this Section 11, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by Ernst & Young (the "Accounting Firm") which shall provide detailed supporting calculations both to the Corporation and you within 15 business days of the receipt of notice from you that there has been a Payment, or such earlier time as is requested by the Corporation. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the change of control which has caused Section 4999 of the Code to be applicable, you shall appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Corporation. Any Gross-Up Payment, net of any taxes (including income and excise taxes) required to be withheld, as determined pursuant to this Section 11, shall be paid by the Corporation to you within five days of the receipt of the Accounting Firm's determination. If the Accounting Firm determines that no Excise Tax is payable by you, it shall furnish you with a written opinion that failure to report the Excise Tax on your applicable federal income tax return would not result in the imposition of a negligence or similar penalty. Any determination by the Accounting Firm shall be binding upon the Corporation and you. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Corporation should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Corporation exhausts its remedies pursuant to Section 11(c) and you thereafter are required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Corporation to or for your benefit.

(c) You shall notify the Corporation in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Corporation of the Gross-Up Payment. Such notification shall be

given as soon as practicable but no later than ten business days after you are informed in writing of such claim and shall apprise the Corporation of the nature of such claim and the date on which such claim is requested to be paid. You shall not pay such claim prior to the expiration of the 30-day period following the date on which the IRS gives such notice to the Corporation (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Corporation notifies you in writing prior to the expiration of such period that it desires to contest such claim, you shall:

(i) give the Corporation any information reasonably requested by the Corporation relating to such claim,

(ii) take such action in connection with contesting such claim as the Corporation shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Corporation,

(iii) cooperate with the Corporation in good faith in order effectively to contest such claim, and

(iv) permit the Corporation to participate in any proceedings relating to such claim;

provided, however, that the Corporation shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold you harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses including without limitation, reasonable legal fees. Without limitation on the foregoing provisions of this Section 11(c), the Corporation shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct you to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and you agree to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Corporation shall determine; provided, however, that if the Corporation directs you to pay such claim and sue for a refund, the Corporation shall advance the amount of such payment to you, on an interest-free basis and shall indemnify and hold you harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for your taxable year with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Corporation's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and you shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by you of an amount advanced by the Corporation pursuant to Section 11(c), you become entitled to receive any refund with respect to such claim, you shall (subject to the Corporation's complying with the requirements of Section 11(c)) promptly pay to the Corporation the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by you of an amount advanced by the Corporation pursuant to Section 11(c), a determination is made that you shall not be entitled to any refund with respect to such claim and the Corporation does not notify you in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

12. Conduct after Termination. From and after the termination of your employment for any reason:

(a) For a period equal to the greater of three years or the Salary Continuation Period, you shall not engage in or become employed as a business owner, employee, agent, representative or consultant in any activity which is in competition with any line of business of Unisys (or its subsidiaries or affiliates) existing as of your termination date, except with the express prior written consent of the Committee, provided, however, you shall be deemed not to be in competition for purposes of Section 12 of this Agreement, (i) if you are an employee of or a consultant to an entity a unit of which is in competition with Unisys, provided that it can be demonstrated to the reasonable satisfaction of the Committee that procedures are in place to assure that any unit that is in competition with Unisys and any director, officer, employee, consultant or other representative of such unit cannot directly or indirectly avail itself or themselves of your services, (ii) if you are an employee of or a consultant to an entity that provides consulting services to other entities, one or more of which are in competition with Unisys, provided that it can be demonstrated to the reasonable satisfaction of the Committee that procedures are in place to assure that no entity that is in competition with Unisys nor any director, officer, employee, consultant or other representative of such unit can directly or indirectly avail itself or themselves of your services, or (iii) if you invest in securities which are listed for trading on a national exchange or NASDAQ and your investment does not exceed 1% of the issued and outstanding shares of stock;

(b) You shall not negatively comment publicly or privately about Unisys (or its subsidiaries or affiliates), any of its products, services or other businesses, its present or past Board of Directors, its officers, or employees, nor shall you in any way discuss the circumstances of your termination of employment, except that you may give truthful testimony before a court or governmental agency;

(c) For a period of two years, you shall not induce or attempt to induce any employee of Unisys (or any of its subsidiaries or affiliates) to render services for any other person, firm or business entity;

(d) You shall not use, furnish or divulge to any other person, firm or business entity any confidential information relating to Unisys business (or that of any of its subsidiaries or affiliates), or any trade secrets, processes, contracts or arrangements involved in any such business, except when required to do so by a court of law, by any governmental agency having supervisory authority over the business of Unisys or by any administrative or legislative body (including a committee thereof) with apparent jurisdiction to order you to divulge, disclose or make accessible such information.

From and after the termination of your employment for any reason, Unisys agrees not to negatively comment publicly or privately about you or the circumstances of your termination of employment. You and Unisys mutually agree that the obligations contained in this Section 12 are reasonable and necessary for each party's mutual protection and that one party cannot be reasonably or adequately compensated in damages in an action at law in the event that the other party breaches such obligations. You and Unisys expressly agree that, in addition to any other rights or remedies which each may possess, each shall be entitled to injunctive and other equitable relief to prevent a breach of this Section 12 by the other party, including a temporary restraining order or temporary injunction from any court of competent jurisdiction restraining any threatened or actual violation, and you and Unisys each consents to the entry of such an order and injunctive relief and waives the making of a bond as a condition for obtaining such relief. Such right shall be cumulative in addition to any other legal or equitable rights and remedies the parties may have. In addition, in the event that you should materially breach your obligations under Section 12(b) or you should breach any other obligation described in this Section 12, Unisys shall have the right to terminate any remaining payments due under Section 10(b)(1) and (4).

13. Term; Extension of Term. The term of this Agreement is five years commencing on September 23, 1997. On September 23, 2002 and on each succeeding September 23, the term of employment hereunder shall be extended by one additional year unless the Corporation provides to you or you provide to the Corporation, at least six months prior to the expiration of the then remaining term of the Agreement, written notice that the term will not be further extended, in which case the term of employment hereunder will end at the expiration of the then remaining

term of employment hereunder, including any previous extension, and will not be further extended except by agreement of the Corporation and you.

14. Plan Documents; Code of Ethical Conduct. Each of the above-described benefits which are more fully described in an applicable Unisys plan document are subject to the terms of such plan document (as may be amended by Unisys from time to time) and, except as expressly provided in this agreement, each such plan document will govern the benefit payable hereunder and thereunder. In addition, you agree that the Unisys policies and procedures applicable to all Unisys employees, including, without limitation, the Unisys Code of Ethical Conduct, shall be applicable to you.

15. Successors. This agreement shall be binding upon Unisys and its successors and assigns.

16. Indemnification. You will be entitled to the indemnification rights contained in the Restated Certificate of Incorporation of Unisys Corporation, dated July 25, 1997, as such may be amended from time to time. Unisys agrees to maintain directors and officers liability insurance covering you to the extent that Unisys provides such coverage for its other directors and officers.

17. Miscellaneous. Except for your Executive Employment Agreement of even date, this agreement constitutes the entire agreement between you and Unisys relating to your employment and additional matters provided for herein. This agreement supersedes all prior agreements, whether written or oral, between you and Unisys relating to your employment and additional matters provided for herein. No provision of this agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by you and the Chairman of the Committee or his designee. The validity, interpretation, construction and performance of this agreement shall be governed by the laws of the Commonwealth of Pennsylvania without giving effect to the provisions thereof relating to conflicts of laws.

18. Validity. The invalidity or unenforceability of any provision of this agreement shall not affect the validity or enforceability of any other provision of this agreement, which shall remain in full force and effect.

19. Arbitration. Any dispute or controversy arising under or in connection with this agreement shall be settled exclusively by arbitration in Philadelphia, Pennsylvania in accordance with the rules of the American Arbitration Association. Any arbitration award will be final and conclusive upon the parties, and a judgment enforcing such award may be entered in any court of competent jurisdiction. Costs of arbitration shall be borne by Unisys. Unless the arbitrator determines that you did not have a reasonable basis for asserting your position with respect to the dispute in question, Unisys shall also reimburse you for your reasonable attorneys' fees incurred with respect to any arbitration.

20. Corporate Authority. Unisys represents and warrants that it is fully authorized and empowered to enter into this Agreement. This Agreement has been authorized by the Board and approved by the Committee.

If the foregoing sets forth our agreement with you, please sign and return to us the enclosed copy of this Agreement.

Very truly yours,

UNISYS CORPORATION

The foregoing is accepted:

By:

Kenneth A. Macke; Chairman  
Compensation and Organization  
Committee  
Board of Directors

Lawrence A. Weinbach

## EXHIBIT 11.1

UNISYS CORPORATION  
 STATEMENT OF COMPUTATION OF EARNINGS PER SHARE  
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1997 AND 1996  
 (UNAUDITED)  
 (Millions, except share data)

	1997	1996
	-----	-----
Primary Earnings Per Common Share		
Average Number of Outstanding Common Shares	175,104,215	172,369,855
Additional Shares Assuming Exercise of Stock Options	1,736,392	430,426
	-----	-----
Average Number of Outstanding Common Shares and Common Share Equivalents	176,840,607	172,800,281
	=====	=====
Net Income	\$ 112.1	\$ 6.1
Dividends on Series A, B and C Preferred Stock	( 84.5)	( 90.6)
	-----	-----
Primary Earnings (Loss) on Common Shares	\$ 27.6	\$( 84.5)
	=====	=====
Primary Earnings (Loss) Per Common Share	\$ .16	\$( .49)
	=====	=====
Fully Diluted Earnings Per Common Share		
Average Number of Outstanding Common Shares and Common Share Equivalents	176,840,607	172,800,281
Additional Shares:		
Assuming Conversion of Series A Preferred Stock	47,454,016	47,454,218
Assuming Conversion of 8 1/4% Convertible Notes due 2000	33,696,405	33,697,387
Assuming Conversion of 8 1/4% Convertible Notes due 2006	43,490,909	32,817,316
Attributable to Stock Plans	1,299,673	189,269
	-----	-----
Common Shares Outstanding Assuming Full Dilution	302,781,610	286,958,471
	=====	=====
Primary Earnings (Loss) on Common Shares Exclude Dividends on Series A Preferred	\$ 27.6	\$( 84.5)
Stock	79.9	79.9
Interest Expense on 8 1/4% Convertible Notes, due 2000, Net of Applicable Tax	14.4	14.4
Interest Expense on 8 1/4% Convertible Notes, due 2006, Net of Applicable Tax	12.4	9.4
	-----	-----
Fully Diluted Earnings on Common Shares	\$ 134.3	\$ 19.2
	=====	=====
Fully Diluted Earnings per Common Share	\$ .44	\$ .07
	=====	=====
Earnings (Loss) Per Common Share As Reported		
Primary	\$ .16	\$( .49)
	=====	=====
Fully Diluted	\$ .16	\$( .49)
	=====	=====

The computation for 1997 is based on the weighted average number of outstanding common shares and additional shares assuming the exercise of stock options. The computation for 1996 is based solely on the weighted average number of outstanding common shares. Neither period assumes

conversion of the convertible notes or Series A preferred stock since such conversions would have been antidilutive.



UNISYS CORPORATION  
 STATEMENT OF COMPUTATION OF EARNINGS PER SHARE  
 FOR THE THREE MONTHS ENDED SEPTEMBER 30, 1997 AND 1996  
 (UNAUDITED)  
 (Millions, except share data)

	1997 -----	1996 -----
Primary Earnings Per Common Share		
Average Number of Outstanding Common Shares	175,342,299	172,970,411
Additional Shares Assuming Exercise of Stock Options	3,657,454	366,692
	-----	-----
Average Number of Outstanding Common Shares and Common Share Equivalents	178,999,753	173,337,103
	=====	=====
Net Income	\$ 50.9	\$ 14.2
Dividends on Series A, B and C Preferred Stock	( 26.6)	( 30.2)
	-----	-----
Primary Earnings (Loss) on Common Shares	\$ 24.3	\$( 16.0)
	=====	=====
Primary Earnings (Loss) Per Common Share	\$ .14	\$( .09)
	=====	=====
Fully Diluted Earnings Per Common Share		
Average Number of Outstanding Common Shares and Common Share Equivalents	178,999,753	173,337,103
Additional Shares:		
Assuming Conversion of Series A Preferred Stock	47,453,877	47,454,135
Assuming Conversion of 8 1/4% Convertible Notes due 2000	33,694,440	33,697,387
Assuming Conversion of 8 1/4% Convertible Notes due 2006	43,490,909	43,490,909
Attributable to Stock Plans	2,798,606	334,225
	-----	-----
Common Shares Outstanding Assuming Full Dilution	306,437,585	298,313,759
	=====	=====
Primary Earnings (Loss) on Common Shares Exclude Dividends on Series A Preferred	\$ 24.3	\$( 16.0)
Stock	26.6	26.6
Interest Expense on 8 1/4% Convertible Notes, due 2000, Net of Applicable Tax	4.8	4.8
Interest Expense on 8 1/4% Convertible Notes, due 2006, Net of Applicable Tax	4.1	4.2
	-----	-----
Fully Diluted Earnings on Common Shares	\$ 59.8	\$ 19.6
	=====	=====
Fully Diluted Earnings per Common Share	\$ .20	\$ .07
	=====	=====
Earnings (Loss) Per Common Share As Reported		
Primary	\$ .14	\$( .09)
	=====	=====
Fully Diluted	\$ .13	\$( .09)
	=====	=====

The computation for 1997 is based on the weighted average number of outstanding common shares and additional shares assuming the exercise of stock options and conversion of 8 1/4% convertible notes due 2006. The computation for 1996 is based solely on the weighted average number of outstanding common shares. Conversion is not assumed for the 8 1/4% convertible notes due 2000 in 1997, both convertible notes in 1996 and

Series A preferred stock in both periods since such conversions would have been antidilutive.

UNISYS CORPORATION  
 COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES (UNAUDITED)  
 (\$ in millions)

	Nine Months Ended Sept.30,		Years Ended December 31			
	1997	1996	1995	1994	1993	1992
Income (loss) from continuing operations before income taxes	\$177.9	\$ 93.7	\$(781.1)	\$ 14.6	\$370.9	\$301.3
Add (deduct) share of loss (income) of associated companies	( 3.5)	( 4.9)	5.0	16.6	14.5	3.2
Subtotal	174.4	88.8	(776.1)	31.2	385.4	304.5
Interest expense (net of interest capitalized)	179.4	249.7	202.1	203.7	241.7	340.6
Amortization of debt issuance expenses	5.4	6.3	5.1	6.2	6.6	4.8
Portion of rental expense representative of interest	44.4	59.2	65.3	65.0	70.5	78.8
Total Fixed Charges	229.2	315.2	272.5	274.9	318.8	424.2
Earnings (loss) from continuing operations before income taxes and fixed charges	\$403.6	\$404.0	\$(503.6)	\$306.1	\$704.2	\$728.7
Ratio of earnings to fixed charges	1.76	1.28	(a)	1.11	2.21	1.72

(a) Earnings for the year ended December 31, 1995 was inadequate to cover fixed charges by approximately \$776.1 million.

<ARTICLE> 5  
<LEGEND> THIS SCHEDULE CONTAINS SUMMARY FINANCIAL  
INFORMATION EXTRACTED FROM THE FINANCIAL  
STATEMENTS INCLUDED IN THE COMPANY'S FORM 10-Q  
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 1997  
AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO  
SUCH FINANCIAL STATEMENTS.  
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