Certificate Number 4080

STATE OF ILLINOIS

OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

Whereas, *Articles of Incorporation duly signed and verified of*

MUELLER ACCESSORIES, INC.

have been filed in the Office of the Secretary of State on the 31st *day of* January *A. D. 1946, as provided by "THE BUSINESS CORPORATION ACT" of Illinois, in force July 13, A. D. 1933.*

Now Therefore, I, EDWARD J. BARRETT, *Secretary of State of the State of Illinois, by virtue of the powers vested in me by law, do hereby issue this certificate of incorporation and attach thereto a copy of the Articles of Incorporation of the aforesaid corporation.*

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois,*

Done at the City of Springfield this 31st *day of* January *A.D. 1946 and of the Independence of the United States the one hundred and* 70th.

(SEAL)

Edward J. Barrett

SECRETARY OF STATE.

DYNCORP 00001

FORM B

BEFORE ATTEMPTING TO EXECUTE THESE BLANKS BE SURE TO READ CAREFULLY THE INSTRUCTIONS ON THE BACK THEREOF.

(THESE ARTICLES MUST BE FILED IN DUPLICATE.)

(Do not write in this space)
Date Paid 1-31-46
Initial License Fee $ 5—
Franchise Tax $15—
Filing Fee $20—
Clerk PHN
132 41

STATE OF ILLINOIS, } ss.
COOK COUNTY.

To EDWARD J. BARRETT, Secretary of State:

We, the undersigned,

Name	Number	Street	Address City	State
DAVID W. KAHANE	134	South LaSalle Street	Chicago,	Illinois
MARGARET CONROY	134	South LaSalle Street	Chicago,	Illinois
MANLY R. CROFT	134	South LaSalle Street	Chicago,	Illinois

being natural persons of the age of twenty-one years or more and subscribers to the shares of the corporation to be organized pursuant hereto, for the purpose of forming a corporation under "The Business Corporation Act" of the State of Illinois, do hereby adopt the following Articles of Incorporation:

ARTICLE ONE

The name of the corporation is: MUELLER ACCESSORIES, INC.

ARTICLE TWO

The address of its initial registered office in the State of Illinois is: 134 South LaSalle Street Street, in the City of Chicago (3 (Zone)) County of Cook and the name of its initial Registered Agent at said address is: DAVID W. KAHANE

ARTICLE THREE

The duration of the corporation is: Perpetual

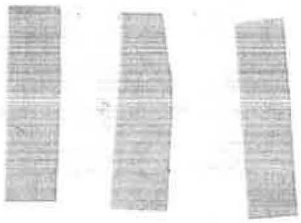
PAID
JAN 31 1946
Edward J. Barrett
Secretary of State.

DYNCORP 00002

3
71

ARTICLE FOUR

The purpose or purposes for which the corporation is organized are: buy, trade, sell, exchange, own, repair, remodel, rebuild, manufacture, construct, and otherwise deal in and with automotive parts and accessories, and any and all mechanically propelled conveyances or vehicles, and to carry on a general manufacturing, wholesale and retail merchandise business.



ARTICLE FIVE

PARAGRAPH 1: The aggregate number of shares which the corporation is authorized to issue is 500, divided into one classes~~es~~ The designation of each class, the number of shares of each class, and the par value, if any, of the shares of each class, or a statement that the shares of any class are without par value, are as follows:

Class	Series (If any)	Number of Shares	Par value per share or statement that shares are without par value
Common		500	No par value

PARAGRAPH 2: The preferences, qualifications, limitations, restrictions and the special or relative rights in respect of the shares of each class are:

ARTICLE SIX

The class and number of shares to be issued by the corporation before it shall commence business and the consideration (expressed in dollars) to be received by the corporation therefor, are:

Class of shares	Number of shares	Consideration to be received therefor,
Common	100	$ 10,000.00
		$
		$
		$
		$

ARTICLE SEVEN

The number of directors to be elected at the first meeting of the shareholders is: Four

ARTICLE EIGHT

PARAGRAPH 1: It is estimated that the value of all property to be owned by the corporation for the following year wherever located will be $ 10,000.00

PARAGRAPH 2: It is estimated that the value of the property to be located within the State of Illinois during the following year will be $ 10,000.00

PARAGRAPH 3: It is estimated that the gross amount of business which will be transacted by the corporation during the following year will be $ 10,000.00

PARAGRAPH 4: It is estimated that the gross amount of business which will be transacted at or from places of business in the State of Illinois during the following year will be $ 10,000.00

Manly R. Croft
Margaret Conroy
David W. Kahane

Incorporators.

OATH AND ACKNOWLEDGMENT

STATE OF ILLINOIS,
COOK County. } ss.

I, ~~BEATRICE BISHOP~~ EVA B. BURGER, a Notary Public do hereby certify that on the 23rd day of January, 1946,

(Names of Incorporators)
DAVID W. KAHANE, MARGARET CONROY and MANLY R. CROFT

personally appeared before me and being first duly sworn by me severally acknowledged that they signed the foregoing document in the respective capacities therein set forth and declared that the statements therein contained are true.

IN WITNESS WHEREOF, I have hereunto set my hand ~~and seal~~ the day and year above written.

Eva B. Burger
Notary Public.

Place NOTARIAL SEAL Here

FORM B

File

Box

ARTICLES OF INCORPORATION

MUELLER ACCESSORIES, INC.

The following fees are required to be paid at date of issuing certificate of incorporation: Initial license fee of 50c per $1000.00; filing fee $20.00; franchise tax of 1/20 of 1% of the amount of stated capital and paid-in surplus which the corporation is to receive for the shares issued before it commences business. However, if the issue is for $20,000.00 or less the minimum franchise tax is as follows: January, $15; February, $14.17; March, $13.34; April, $12.50; May, $11.67; June, $10.84; July, $10.00; Aug., $9.17; Sept., $8.34; Oct., $7.50; Nov., $6.67; Dec., $5.84.

In excess of $20,000.00 the franchise tax per $1000.00 is as follows: Jan., $0.75; Feb., .709; March, .667; April, .625; May, .584; June, .542; July, .50; Aug., .4583; Sept., .4167; Oct., .3749; Nov., .3333; Dec., .2916.

All shares issued in excess of the amount represented in the Articles of Incorporation to be issued by the Corporation before it shall commence business must be reported within 60 days from date of issuance thereof, and franchise tax and initial license fee paid thereon; otherwise, the corporation is subject to a penalty of 1% for each month on the amount until reported and subject to a fine not to exceed $500.00.

The same fees are required for a subsequent issue of shares except the filing fee is $1.00 instead of $20.00.

(83221—20M—6-45)

DYNCORP 00005

Box [illegible] No. 30848

Articles of Incorporation

of

Mueller Accessories, Inc.

Chicago

Number of Authorized Shares 500 Shs. Npv.

Duration perpetual years

FILED
JAN 31 1946
Secretary of State

(696) 7

DYNCORP 00006

Certificate Number 3163

STATE OF ILLINOIS

OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

Whereas, Articles of amendment to the Articles of Incorporation duly signed and verified of

MUELLER ACCESSORIES, INC.

have been filed in the Office of the Secretary of State on the 8th day of April A. D. 19 47, as provided by "THE BUSINESS CORPORATION ACT" of Illinois, in force July 13, A. D. 1933.

Now Therefore, I, EDWARD J. BARRETT, Secretary of State of the State of Illinois, by virtue of the powers vested in me by law, do hereby issue this certificate of amendment and attach thereto a copy of the Articles of Amendment to the Articles of Incorporation of the aforesaid corporation.

In Testimony Whereof, I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois,

Done at the City of Springfield this 8th day of April A.D. 19 47 and of the Independence of the United States the one hundred and 71st.

Edward J. Barrett

SECRETARY OF STATE

DYNCORP 00007

Form BCA-55

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DATE 4-8-47
FILING FEE $ 70
CLERK WEL

(File in Duplicate)

ARTICLES OF AMENDMENT

TO THE

ARTICLES OF INCORPORATION

OF

MUELLER ACCESSORIES, INC.
(Exact Corporate Name)

432 16

To EDWARD J. BARRETT
Secretary of State
Springfield, Illinois

The undersigned corporation, for the purpose of amending its Articles of Incorporation and pursuant to the provisions of Section 55 of "The Business Corporation Act" of the State of Illinois, hereby executes the following Articles of Amendment:

ARTICLE FIRST: The name of the corporation is:

MUELLER ACCESSORIES, INC.

PAID
APR 8 1947
Edward J. Barrett
Secretary of State

ARTICLE SECOND: The following amendment or amendments were adopted in the manner prescribed by "The Business Corporation Act" of the State of Illinois:

RESOLVED, That the Articles of Incorporation of this Corporation be amended in the following respect: The aggregate number of shares which the Corporation is authorized to issue is increased from 500 shares of no par value to 1,000 shares of no par value.

(23183—20M—8-46 31

9
71

ARTICLE THIRD: The number of shares of the corporation outstand-
at the time of the adoption of said amendment or amendments was
470; and the number of shares of each class
tled to vote as a class on the adoption of said amendment or amendments,
the designation of each such class were as follows:

Class	Number of Shares
Common	470

ARTICLE FOURTH: The number of shares voted for said amendment or
endments was 470; and the number of
res voted against said amendment or amendments was None,
e number of shares of each class entitled to vote as a class voted for and against
i amendment or amendments, respectively, was:

Class	Number of Shares Voted	
	For	Against
Common	470	0

DYNCORP 00009

(Disregard this Article where the amendments contain no such provisions.)

ARTICLE FIFTH: The manner in which the exchange, reclassification, or cancellation of issued shares, or the reduction of the number of authorized shares of any class below the number of issued shares of that class, provided for said amendment or amendments, shall be effected, is as follows:

(Disregard this Paragraph where amendments do not affect stated capital or paid-in surplus.)

ARTICLE SIXTH: Paragraph 1: The manner in which said amendment or amendments effecting a change in the amount of stated capital or the amount of paid-in surplus, or both, is effected is as follows:

(Disregard this Paragraph where amendments do not reduce stated capital.)

Paragraph 2: The amounts of stated capital and of paid-in surplus as changed by said amendment or amendments are as follows:

	Before Amendment	After Amendment
Stated capital .....$		$
Paid-in Surplus ...$		$

IN WITNESS WHEREOF, the undersigned corporation has caused these Articles of Amendment to be executed in its name by its_____President, and its corporate seal to be hereto affixed, attested by its_____ Secretary, this 7th day of April, 1947.

MUELLER ACCESSORIES, INC.
(Exact Corporate Name)

PLACE (CORPORATE SEAL) HERE

By X Theodore B Holliday
Its President

Attest:

X Florence Hagan
Its Secretary

STATE OF ILLINOIS }
COUNTY OF COOK } ss.

I, V. E. Rucker a Notary Public, do hereby certify that on the 7 day of April 1947, Theodore B. Holliday personally appeared before me and, being first duly sworn by me, acknowledged that he signed the foregoing document in the capacity therein set forth and declared that the statements therein contained are true.

IN WITNESS WHEREOF, I have hereunto set my hand and seal the day and year before written.

V. E. Rucker
Notary Public.

PLACE (NOTARIAL SEAL) HERE

Form BCA-55

Box 2854 File 848

ARTICLES OF AMENDMENT to the ARTICLES OF INCORPORATION of

MUELLER ACCESSORIES, INC.

Increase number of authorized shares from 500 Shs Npv. to 1,000 Shs. Npv.

FILED
APR 8 - 1947
Secretary of State

FILE IN DUPLICATE

Filing Fee $20.00

DYNCORP 00011

Certificate Number 4014

12
71

STATE OF ILLINOIS

OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

Whereas, Articles of amendment to the Articles of Incorporation duly signed and verified of

MUELLER ACCESSORIES, INC.

have been filed in the Office of the Secretary of State on the 23rd day of October A. D. 19 47, as provided by "THE BUSINESS CORPORATION ACT" of Illinois, in force July 13, A. D. 1933.

Now Therefore, I, EDWARD J. BARRETT, Secretary of State of the State of Illinois, by virtue of the powers vested in me by law, do hereby issue this certificate of amendment and attach thereto a copy of the Articles of Amendment to the Articles of Incorporation of the aforesaid corporation.

In Testimony Whereof, I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois,

Done at the City of Springfield this 23rd day of October A.D. 19 47 and of the Independence of the United States the one hundred and 72nd.

(SEAL)

Edward J. Barrett

SECRETARY OF STATE.

DYNCORP 00012

Form BCA-55

DATE 10-23-47
FILING FEE $ 20.00
CLERK

(File in Duplicate)

ARTICLES OF AMENDMENT

TO THE

ARTICLES OF INCORPORATION

OF

150116

MUELLER ACCESSORIES, INC.
(Exact Corporate Name)

To EDWARD J. BARRETT
Secretary of State
Springfield, Illinois

The undersigned corporation, for the purpose of amending its Articles of Incorporation and pursuant to the provisions of Section 55 of "The Business Corporation Act" of the State of Illinois, hereby executes the following Articles of Amendment:

PAID
OCT 23 1947
Edward J. Barrett
Secretary of State

ARTICLE FIRST: The name of the corporation is:

MUELLER ACCESSORIES, INC.

ARTICLE SECOND: The following amendment or amendments were adopted in the manner prescribed by "The Business Corporation Act" of the State of Illinois:

RESOLVED, that the Articles of Incorporation be amended so as to change the name of this corporation from MUELLER ACCESSORIES, INC. to LAND-AIR, INC.

(10528—10M—1-46) 21

DYNCORP 00013

14
7-1

(Disregard separation into classes if class voting does not apply to the amendment voted on.)

ARTICLE THIRD: The number of shares of the corporation outstanding at the time of the adoption of said amendment or amendments was 570; and the number of shares of each class entitled to vote as a class on the adoption of said amendment or amendments, and the designation of each such class were as follows:

Class	Number of Shares
Class voting not applicable	

(Disregard separation into classes if class voting does not apply to the amendment voted on.)

ARTICLE FOURTH: The number of shares voted for said amendment or amendments was 570; and the number of shares voted against said amendment or amendments was None, The number of shares of each class entitled to vote as a class voted for and against said amendment or amendments, respectively, was:

Class	Number of Shares Voted	
	For	Against
Class voting not applicable		

DYNCORP 00014

15
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(Disregard this Article where the amendments contain no such provisions.)

ARTICLE FIFTH: The manner in which the exchange, reclassification, or cancellation of issued shares, or the reduction of the number of authorized shares of any class below the number of issued shares of that class, provided for said amendment or amendments, shall be effected, is as follows:

Not applicable

(Disregard this Paragraph where amendments do not affect stated capital or paid-in surplus.)

ARTICLE SIXTH: Paragraph 1: The manner in which said amendment or amendments effecting a change in the amount of stated capital or the amount of paid-in surplus, or both, is effected is as follows:

Not applicable

(Disregard this Paragraph where amendments do not reduce stated capital.)

Paragraph 2: The amounts of stated capital and of paid-in surplus as changed by said amendment or amendments are as follows:

	Before Amendment	After Amendment
Stated capital .....$		$
Paid-in Surplus ...$		$

Not applicable

16
71

IN WITNESS WHEREOF, the undersigned corporation has caused these Articles of Amendment to be executed in its name by its _____ President, and its corporate seal to be hereto affixed, attested by its _____ Secretary, this 17th day of October, 1947.

MUELLER ACCESSORIES, INC.
(Exact Corporate Name)

By x Theodore B. Holliday
Its President

Theodore B. Holliday

PLACE (CORPORATE SEAL) HERE

Attest:

Florence Guzan
Its Secretary

Florence Guzan

STATE OF ILLINOIS }
COUNTY OF COOK } ss.

I, DAVID W. KAHANE, a Notary Public, do hereby certify that on the 17th day of October 1947, THEODORE B. HOLLIDAY personally appeared before me and, being first duly sworn by me, acknowledged that he signed the foregoing document in the capacity therein set forth and declared that the statements therein contained are true.

IN WITNESS WHEREOF, I have hereunto set my hand and seal the day and year before written.

Notary Public.

PLACE (NOTARIAL SEAL) HERE

Form BCA-55

Box 2854 File 848

ARTICLES OF AMENDMENT to the ARTICLES OF INCORPORATION of

MUELLER ACCESSORIES, INC.

Changed name to Land-Air, Inc.

FILED
OCT 23 1947
Sec'y of State

FILE IN DUPLICATE

Filing Fee $20.00

DYNCORP 00016

Certificate Number 6125

17
71

STATE OF ILLINOIS

OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

Whereas, *Articles of amendment to the Articles of Incorporation duly signed and verified of*

LAND-AIR, INC.

have been filed in the Office of the Secretary of State on the 3rd *day of* February *A. D. 19* 49, *as provided by "THE BUSINESS CORPORATION ACT" of Illinois, in force July 13, A. D. 1933.*

Now Therefore, I, EDWARD J. BARRETT, *Secretary of State of the State of Illinois, by virtue of the powers vested in me by law, do hereby issue this certificate of amendment and attach thereto a copy of the Articles of Amendment to the Articles of Incorporation of the aforesaid corporation.*

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois,*
Done at the City of Springfield this 3rd *day of* February *A.D. 19* 49 *and of the Independence of the United States the one hundred and* 73rd.

(SEAL)

Edward J. Barrett

SECRETARY OF STATE.

DYNCORP 00017

Form BCA-55

DATE 2-3-49
FILING FEE $ 20-
CLERK MEL

(File in Duplicate)

ARTICLES OF AMENDMENT

162 31

TO THE

ARTICLES OF INCORPORATION

OF

PAID
FEB 4 1949
Edward J. Barrett
Secretary of State

LAND-AIR, INC.
(Exact Corporate Name)

To EDWARD J. BARRETT
Secretary of State
Springfield, Illinois

The undersigned corporation, for the purpose of amending its Articles of Incorporation and pursuant to the provisions of Section 55 of "The Business Corporation Act" of the State of Illinois, hereby executes the following Articles of Amendment:

ARTICLE FIRST: The name of the corporation is:

LAND-AIR, INC.

ARTICLE SECOND: The following amendment or amendments were adopted in the manner prescribed by "The Business Corporation Act" of the State of Illinois:

RESOLVED, that the Articles of Incorporation of this corporation be amended to enlarge the corporate purposes, as follows:

To test, observe, appraise and evaluate the operation and performance of aircraft; to test, observe, appraise and evaluate the operation and performance of mechanical or electrical devices and controls used in the automotive or aeronautical industry.

(10528—10M—1-46) 21

DYNCORP 00018

19
71

(Disregard separation into classes if class voting does not apply to the amendment voted on.)

ARTICLE THIRD: The number of shares of the corporation outstanding at the time of the adoption of said amendment or amendments was 680; and the number of shares of each class entitled to vote as a class on the adoption of said amendment or amendments, and the designation of each such class were as follows:

Class	Number of Shares
(Class voting not applicable)	

(Disregard separation into classes if class voting does not apply to the amendment voted on.)

ARTICLE FOURTH: The number of shares voted for said amendment or amendments was 680; and the number of shares voted against said amendment or amendments was None. The number of shares of each class entitled to vote as a class voted for and against said amendment or amendments, respectively, was:

Class	Number of Shares Voted	
	For	Against
(Class voting not applicable)		

DYNCORP 00019

(Disregard this Article where the amendments contain no such provisions.)

ARTICLE FIFTH: The manner in which the exchange, reclassification, or cancellation of issued shares, or the reduction of the number of authorized shares of any class below the number of issued shares of that class, provided for said amendment or amendments, shall be effected, is as follows:

(Not applicable)

(Disregard this Paragraph where amendments do not affect stated capital or paid-in surplus.)

ARTICLE SIXTH: Paragraph 1: The manner in which said amendment or amendments effecting a change in the amount of stated capital or the amount of paid-in surplus, or both, is effected is as follows:

(Not applicable)

(Disregard this Paragraph where amendments do not reduce stated capital.)

Paragraph 2: The amounts of stated capital and of paid-in surplus as changed by said amendment or amendments are as follows:

	Before Amendment	After Amendment
Stated capital .....$	$	
Paid-in Surplus ...$	$	

(Not applicable)

DYNCORP 00020

21
71

IN WITNESS WHEREOF, the undersigned corporation has caused these Articles of Amendment to be executed in its name by its ------ President, and its corporate seal to be hereto affixed, attested by its ---- Secretary, this 1st day of February, 1949.

LAND-AIR, INC.
(Exact Corporate Name)

PLACE
(CORPORATE SEAL)
HERE

By Theodore B. Holliday
Its President

Attest:

By R. W. Kelsey
Its Secretary

STATE OF Illinois
COUNTY OF Cook } ss.

I, Michael Ralph Gauss a Notary Public, do hereby certify that on the 1st day of February 1949, THEODORE B. HOLLIDAY personally appeared before me and, being first duly sworn by me, acknowledged that he signed the foregoing document in the capacity therein set forth and declared that the statements therein contained are true.

IN WITNESS WHEREOF, I have hereunto set my hand and seal the day and year before written.

Michael Ralph Gauss
Notary Public.

PLACE
(NOTARIAL SEAL)
HERE

Form BCA-55

Box V 854 File 848

ARTICLES OF AMENDMENT
to the
ARTICLES OF INCORPORATION
of

LAND-AIR, INC.

Amended Object

FILED
FEB 3 - 1949
Edward J. Barrett
Sec'y of State

FILE IN DUPLICATE
Filing Fee $20.00

22-71

Certificate Number 03014

STATE OF ILLINOIS

OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

Whereas, Articles of amendment to the Articles of Incorporation duly signed and verified of

LAND-AIR, INC.

have been filed in the Office of the Secretary of State on the 9th day of March A. D. 19 51, as provided by "THE BUSINESS CORPORATION ACT" of Illinois, in force July 13, A. D. 1933.

Now Therefore, I, EDWARD J. BARRETT, Secretary of State of the State of Illinois, by virtue of the powers vested in me by law, do hereby issue this certificate of amendment, and attach thereto a copy of the Articles of Amendment to the Articles of Incorporation of the aforesaid corporation.

In Testimony Whereof, I hereto set my hand, and cause to be affixed the Great Seal of the State of Illinois,

Done at the City of Springfield this 9th day of March A.D. 19 51 and of the Independence of the United States the one hundred and 75th.

(SEAL)

Edward J. Barrett

SECRETARY OF STATE

DYNCORP 00022

Form BCA-55

23-71

(Do not write in this space)
Date Paid 3-9-51
Initial License Fee $
Franchise Tax $
Filing Fee $ 30-
Clerk WE L

ARTICLES OF AMENDMENT
to the
ARTICLES OF INCORPORATION
of

LAND-AIR, INC.
(Exact Corporate Name)

403 19

To EDWARD J. BARRETT
Secretary of State
Springfield, Illinois

The undersigned corporation, for the purpose of amending its Articles of Incorporation and pursuant to the provisions of Section 55 of "The Business Corporation Act" of the State of Illinois, hereby executes the following Articles of Amendment:

PAID
MAR 9 1951
Edward J. Barrett
Secretary of State

ARTICLE FIRST: The name of the corporation is:

LAND-AIR, INC.

ARTICLE SECOND: The following amendment or amendments were adopted in the manner prescribed by "The Business Corporation Act" of the State of Illinois:

RESOLVED that the Articles of Incorporation of this corporation, as amended, be further amended in the following respects:

(1) The aggregate number of shares which the corporation is authorized to issue is changed from 1,000 shares without par value, all of one class, to 11,000 shares divided into two classes:

(a) One class designated as Class A shares shall consist of 1,000 shares without par value; and the other class designated as Common shares shall consist of 10,000 shares without par value;

(b) The preferences, qualifications, limitations, restrictions and the special or relative rights in respect to the shares of each class are:

DYNCORP 00023

Said Class A shares shall be entitled to one vote for each share of stock outstanding, shall be entitled to dividends on each share on the same basis as each Common share, and shall be entitled to $40 per share on any distribution of assets through voluntary or involuntary liquidation of the corporation. Said Common shares shall be entitled to one vote for each share outstanding, shall be entitled to dividends on each share on the same basis as each Class A share, and shall be entitled to the distribution of all the assets of the corporation on any voluntary or involuntary liquidation of the corporation after the satisfaction of the prior rights of the Class A shares.

(2) Each of the 930 shares of the corporation now issued is hereby changed into one fully paid and non-assessable Class A share and five fully paid and non-assessable Common shares of this corporation authorized to be issued under the Articles of Incorporation as hereby amended. Certificates for Class A shares and Common shares shall be issued in place and upon surrender of certificates for shares now issued on the aforesaid basis; provided, however, that upon the amendment becoming effective, the holders of said shares now issued shall thereupon cease to be holders of said shares and shall be and become holders of the herein authorized Class A shares and Common shares upon the basis hereinabove specified, whether or not certificates representing said herein authorized Class A shares and Common shares are then issued and delivered. The aggregate stated capital of the corporation represented by the 930 shares now issued shall be allocated to and represented by the Class A shares and Common shares into which said 930 shares are changed as hereinabove provided, as follows: $95.00 shall be allocated to and represented by each of such Class A shares, and $1.00 shall be allocated to and represented by each of such Common shares.

(Disregard separation into classes if class voting does not apply to the amendment voted on)

ARTICLE THIRD: The number of shares of the corporation outstanding at the time of the adoption of said amendment or amendments was 930; and the number of shares of each class entitled to vote as a class on the adoption of said amendment or amendments, and the designation of each such class were as follows:

Class	Number of Shares

DYNCORP 00024

(Disregard separation into classes if class voting does not apply to the amendment voted on.)

ARTICLE FOURTH: The number of shares voted for said amendment or amendments was 930; and the number of shares voted against said amendment or amendments was None. The number of shares of each class entitled to vote as a class voted for and against said amendment or amendments, respectively, was:

Class	Number of Shares Voted For	Against

(Disregard this Article where the amendments contain no such provisions.)

ARTICLE FIFTH: The manner in which the exchange, reclassification, or cancellation of issued shares, or the reduction of the number of authorized shares of any class below the number of issued shares of that class, provided for said amendment or amendments, shall be effected, is as follows:

Each of the 930 shares of the corporation without par value, now issued, is changed into one fully paid and non-assessable Class A share and five fully paid and non-assessable Common shares of the corporation without par value.

(Disregard this Paragraph where amendments do not affect stated capital or paid-in surplus)

ARTICLE SIXTH: Paragraph 1: The manner in which said amendment or amendments effecting a change in the amount of stated capital or the amount of paid-in surplus, or both, is effected, is as follows:

The amendment does not effect any change in the amount of the stated capital or paid-in surplus of the corporation. However, the stated capital of $93,000 represented by the 930 shares without par value of the corporation now issued is allocated to and will be represented by the 930 Class A shares and 4,650 Common shares into which said 930 shares now issued are changed by the amendment, as follows: $95.00 is allocated to and shall be represented by each of said 930 Class A shares, and $1.00 is allocated to and shall be represented by each of said 4,650 Common Shares.

(Disregard this Paragraph where amendments do not affect stated capital or paid-in surplus.)

Paragraph 2: The amounts of stated capital and of paid-in surplus as changed by said amendment or amendments are as follows:

	Before Amendment	After Amendment
Stated capital ....$		$
Paid-in Surplus ...$		$

IN WITNESS WHEREOF, the undersigned corporation has caused these Articles of Amendment to be executed in its name by its Vice-President, and its corporate seal to be hereto affixed, attested by its Secretary, this 14th day of February, 1951.

LAND-AIR, INC.
(Exact Corporate Name)

Place
(CORPORATE SEAL)
Here

By Andre de S. Phalle
Its Vice-President

Attest:

F. Guzan
Its Secretary

STATE OF NEW YORK)
: ss.
COUNTY OF NEW YORK)

I, RALPH J. MURPHY, a Notary Public, do hereby certify that on the 14th day of February, 1951, ANDRE DE SAINT-PHALLE personally appeared before me and, being first duly sworn by me, acknowledged that he signed the foregoing document in the capacity therein set forth and declared that the statements therein contained are true.

IN WITNESS WHEREOF, I have hereunto set my hand and seal the day and year before written.

Place
(NOTARIAL SEAL)
here

Ralph J. Murphy
Notary Public.

RALPH J. MURPHY
Notary Public, State of New York
No. 03-2[illegible]
Qualified in [illegible] County
Certificate filed in New York County
Clerk's [illegible]
Term Expires [illegible] 1951

Form BCA-55

Box 7854 File 848

ARTICLES OF AMENDMENT

to the

ARTICLES OF INCORPORATION

of

LAND-AIR, INC.

FILED

MAR 9- 1951

Edward J. Barrett

Sec'y of State

File in Duplicate

Filing Fee $20.00

DYNCORP 00027

Certificate Number 244

STATE OF ILLINOIS

OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

Whereas, *Articles of* MERGER *duly signed and verified of* CALIFORNIA EASTERN TRAINING CORPORATION merged into LAND-AIR, INC.

have been filed in the Office of the Secretary of State on the 31st *day of* October *A.D. 19* 55, *as provided by "*THE BUSINESS CORPORATION ACT*" of Illinois, in force July 1, A.D. 1933, as amended; Now Therefore, I,* CHARLES F. CARPENTIER, *Secretary of State of the State of Illinois, by virtue of the powers vested in me by law, do hereby issue this certificate of* merger *and attach thereto a copy of the Articles of* Merger *of the aforesaid corporation.*

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois. Done at the City of Springfield this* 31st *day of* October *A.D. 19* 55 *and of the Independence of the United States the one hundred and* 80th.

(SEAL)

Charles F. Carpentier

SECRETARY OF STATE

DYNCORP 00028

ARTICLES OF MERGER ~~CONSOLIDATION~~

(Strike Inapplicable Word)

(Do not write in this space)

Date Paid 10-31-55
Filing Fee $ 20 —
License Fee $
Franchise Tax $
Clerk

To CHARLES F. CARPENTIER,
Secretary of State,
Springfield, Illinois.

1996 13

PAID
OCT 31 1955
Charles F. Carpentier
Secretary of State

The undersigned corporations, pursuant to Section 65 of "The Business Corporation Act" of the State of Illinois, hereby execute the following articles of merger ~~consolidation~~:

ARTICLE ONE

The plan of merger ~~consolidation~~ is as follows:

(a) California Eastern Training Corporation, an Illinois corporation, shall be merged into Land-Air, Inc., an Illinois corporation, which shall be the surviving corporation;

(b) The terms and conditions of the merger and the mode of carrying the same into effect are as follows:

(1) Land-Air, Inc. and California Eastern Training Corporation shall become a single corporation which shall be Land-Air, Inc., the surviving corporation. The separate existence of California Eastern Training Corporation shall cease but the existence of Land-Air, Inc. shall continue.

(2) Land-Air, Inc. shall possess all the rights, privileges, immunities, and franchises of Land-Air, Inc. and of California Eastern Training Corporation. All property, real, personal and mixed, all debts due on whatever account, all other choses in action, and all and every other interest of or belonging to or due to California Eastern Training Corporation, shall be taken and deemed to be transferred to and vested in Land-Air, Inc. without further act or deed.

(3) Land-Air, Inc. shall be responsible and liable for all the liabilities and obligations of California Eastern Training Corporation.

(c) The manner and basis of converting the shares of California Eastern Training Corporation into shares or other securities or obligations of Land-Air, Inc., are as follows:

(1) The number of shares which Land-Air, Inc. has authority to issue is:

Class A	1,000	No par value
Common	10,000	No par value

36

(2) The number of issued shares of Land-Air, Inc. is:

Class A	930	No par value
Common	10,000	No par value

(3) The number of issued shares of California Eastern Training Corporation is:

Preferred	50	$100.00 par value
Common	200	No par value

(4) Upon the issuance of a certificate of merger each of the 200 common shares of California Eastern Training Corporation now issued shall be changed into and become one-twentieth (1/20th) fully paid and nonassessable Class A shares of Land-Air, Inc.; and each of the 50 preferred shares of California Eastern Training Corporation now issued shall be changed into and become one-fifth (1/5th) fully paid and nonassessable Class A shares of Land-Air, Inc. Certificates for shares of Land-Air, Inc. shall be issued in place and upon surrender of certificates for shares of California Eastern Training Corporation now issued, on the aforesaid basis; provided, however, that upon this merger becoming effective, the holders of said shares of California Eastern Training Corporation now issued shall thereupon cease to be holders of said shares and shall be and become holders of shares of Land-Air, Inc. upon the basis hereinabove specified, whether or not certificates representing shares of Land-Air, Inc. are then issued and delivered.

ARTICLE TWO

ARTICLE TWO

As to each corporation, the number of shares outstanding, and the number and designation of the shares of any class entitled to vote as a class, are:

Name of Corporation	Total Number of Shares Outstanding	Designation of Class Entitled to Vote as a Class (If any)	No. of Shares of Such Class (If any)
Land-Air, Inc.	10,930	Class A	930
		Common	10,000
California Eastern Training Corporation	250	Preferred	50
		Common	200

DYNCORP 00030

ARTICLE THREE

As to each corporation, the number of shares voted for and against the plan, respectively, and the number of shares of any class entitled to vote as a class voted for and against the plan, are:

Name of Corporation	Total Shares Voted For	Total Shares Voted Against	Class	Shares Voted For	Shares Voted Against
Land-Air, Inc.	10,930	None	A	930	None
			Common	10,000	None
California Eastern Training Corporation	250	None	Preferred	50	None
			Common	200	None

IN WITNESS WHEREOF, the undersigned corporation has caused these articles of merger ~~(or consolidation)~~ to be executed in its name by its Vice President attested by its Asst. Secretary, this 28 day of October 1955

LAND-AIR, INC.

By M. F. Richards

~~Its (President) or~~ (Vice-President)

PLACE
(Corporate Seal)
HERE

Attest:

R. C. Smith

Its ~~(Secretary) or~~ (Assistant Secretary)

STATE OF Illinois }
COUNTY OF Cook } ss.

I, Constance Stathakes, a Notary Public, do hereby certify that on the 28 day of October, A.D. 1955, personally appeared before me M. F. Richards who declares he is Vice President of the corporation, executing the foregoing document, and being first duly sworn, acknowledged that he signed the foregoing articles of merger (or consolidation) in the capacity therein set forth and declared that the statements therein contained are true.

IN WITNESS WHEREOF, I have hereunto set my hand and seal the day and year before written.

Constance Stathakes

Notary Public

PLACE
(Notarial Seal)
HERE

DYNCORP 00031

32

IN WITNESS WHEREOF, the undersigned corporation has caused these articles of merger (or consolidation) to be executed in its name by its President attested by its Secretary, this 27th day of October 19 55

CALIFORNIA EASTERN TRAINING CORPORATION

By S. J. Solomon

Its (President) or ~~(Vice-President)~~

PLACE
(Corporate Seal)
HERE

Attest: Ruth E. H. Burns

Its (Secretary) or ~~(Assistant Secretary)~~

STATE OF Dist. of Columbia
} ss.
COUNTY OF

I, Eva C. Ruff, a Notary Public, do hereby certify that on the 27 day of October, A.D. 19 55, personally appeared before me S. J. Solomon who declares he is President of the corporation, executing the foregoing document, and being first duly sworn, acknowledged that he signed the foregoing articles of merger (or consolidation) in the capacity therein set forth and declared that the statements therein contained are true.

IN WITNESS WHEREOF, I have hereunto set my hand and seal the day and year before written.

Eva C. Ruff

My Commission expires March 1, 1956

Notary Public

PLACE
(Notarial Seal)
HERE

Box 2854 File 845

ARTICLES OF
MERGER or CONSOLIDATION
OF

FILED
OCT 31 1955
Secretary of State

Filing Fee, $20.00

(64610—5M—2-53)

DYNCORP 00032

33

1-4132

Certificate Number 772

STATE OF ILLINOIS

OFFICE OF SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

Whereas, Articles of Merger duly signed and verified of

STEPPER MOTORS CORPORATION, a Nevada corporation, merged into LAND-AIR, INC., an Illinois corporation

have been filed in the Office of the Secretary of State on the 13th day of August A.D. 19 59, as provided by "THE BUSINESS CORPORATION ACT" of Illinois, in force July 1st, A.D. 1933, as amended; Now Therefore, I, CHARLES F. CARPENTIER, Secretary of State of the State of Illinois, by virtue of the powers vested in me by law, do hereby issue this certificate of merger and attach thereto a copy of the Articles of Merger of the aforesaid corporation.

In Testimony Whereof, I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois.

Done at the City of Springfield this 13th day of August AD 19 59 and of the Independence of the United States the one hundred and 84th.

(SEAL)

Charles F. Carpentier

SECRETARY OF STATE

DYNCORP 00033

ARTICLES OF MERGER ~~CONSOLIDATION~~
OF DOMESTIC AND FOREIGN CORPORATION
(Strike Inapplicable Words)

(Do not write in this space)
Date Paid 8-13-59
Filing Fee $ 25
Clerk

2201 2

To CHARLES F. CARPENTIER, Secretary of State,

The undersigned corporations, pursuant to Section 69a of "The Business Corporation Act" of the State of Illinois, hereby execute the following articles of merger ~~consolidation~~ :

ARTICLE ONE

The names of the corporations proposing to merge ~~consolidate~~ and the names of the States under the laws of which such corporations are organized, are as follows:

Name of Corporation	State of Incorporation
Land-Air, Inc.	Illinois
Stepper Motors Corporation	Nevada

PAID
AUG 13 1959
Charles F. Carpentier
Secretary of State

ARTICLE TWO

The laws of Nevada, the State under which such foreign corporation is ~~corporations are~~ organized, permit such merger ~~consolidation~~

ARTICLE THREE

The name of the surviving ~~new~~ corporation shall be Land-Air, Inc. and it shall be governed by the laws of the State of Illinois

ARTICLE FOUR

The plan of merger ~~consolidation~~ is as follows:

FIRST: Land-Air, Inc., an Illinois corporation, shall merge into itself Stepper Motors Corporation, a Nevada corporation, and likewise said Stepper Motors Corporation shall be merged into Land-Air, Inc., which shall be the surviving corporation, hereinafter usually referred to as "the corporation", and such surviving corporation shall be governed by the laws of the State of Illinois.

SECOND: The articles of incorporation of the surviving corporation as the same have been amended to the effective date of this plan and agreement are to be and remain the articles of incorporation of the surviving corporation.

THIRD: The manner and basis of converting the shares of Stepper Motors Corporation into shares of Land-Air, Inc. are as follows:

A. The number of shares which Land-Air, Inc. has authority to issue is:

Class A	1,000 No par value
Common	10,000 No par value

DYNCORP 00034

...is the President of ... ...sonally appeared before me ... that on the 31
the foregoing document...
merger

ARTICLE FOUR

The plan of merger ~~consolidation~~ is as follows:

FIRST: Land-Air, Inc., an Illinois corporation, shall merge into itself Stepper Motors Corporation, a Nevada corporation, and likewise said Stepper Motors Corporation shall be merged into Land-Air, Inc., which shall be the surviving corporation, hereinafter usually referred to as "the corporation", and such surviving corporation shall be governed by the laws of the State of Illinois.

SECOND: The articles of incorporation of the surviving corporation as the same have been amended to the effective date of this plan and agreement are to be and remain the articles of incorporation of the surviving corporation.

THIRD: The manner and basis of converting the shares of Stepper Motors Corporation into shares of Land-Air, Inc. are as follows:

A. The number of shares which Land-Air, Inc. has authority to issue is:

Class A	1,000	No par value
Common	10,000	No par value

B. The number of issued shares of Land-Air, Inc. and the amount of capital represented thereby is:

Class A	950	No par value	$90,000
Common	10,000	No par value	$10,000

C. The number of issued shares of Stepper Motors Corporation and the amount of capital represented thereby is:

Common	100,000	Par value	$97,000

D. Forthwith upon filing and recording of the plan and agreement of merger as required by law, each of the 100,000 Common shares of Stepper Motors Corporation now issued shall be changed into and become one-two thousandth (1/2000th) fully paid and non-assessable Class A shares of Land-Air, Inc. The amount of stated capital of the surviving corporation represented by the prescribed fifty (50) Class A shares without par value to be distributed in place of the shares of Stepper Motors Corporation will be ten thousand dollars ($10,000.00). The amount of stated capital of the surviving corporation outstanding immediately prior to the effective date of the merger is ninety thousand dollars ($90,000.00), represented by nine-hundred-fifty (950) Class A shares without par value and ten thousand dollars ($10,000.00) represented by ten thousand (10,000) unclassified Common shares without par value. The aggregate stated capital of the surviving corporation will be one hundred ten thousand dollars ($110,000.00). Paid-in surplus will be nine hundred ninety thousand dollars ($990,000.00) and retained earnings shall be the amount as on the books of Land-Air, Inc. reduced by the deficit of Stepper Motors Corporation as of date of merger, except that three thousand dollars ($3,000.00) of the deficit of Stepper Motors will be applied against the additional paid-in-surplus allocated to the survivor upon merger.

E. Certificates for shares of Land-Air, Inc. shall be issued in place and upon surrender of certificates for shares of Stepper Motors Corporation now issued, solely on the aforesaid basis, of one-two thousandth (1/2000th) Class A share of Land-Air for each Common share of Stepper, provided, however, that upon this merger becoming effective, the holders of said Common shares of Stepper Motors Corporation now issued shall thereupon cease to be deemed holders of said shares and shall be deemed and become holders of Class A shares of Land-Air, Inc. upon the terms and basis herein prescribed, whether or not certificates representing such shares of Land-Air, Inc. are then issued and delivered.

FOURTH: The further terms and conditions of the merger are as follows:

A. Until altered, amended, or repealed, as therein provided, the by-laws of Land-Air, inc., party of the first part, as in effect at the date of this plan and agreement, shall be the by-laws of the corporation.

B. The first board of directors of the corporation after the date when the merger provided for herein shall become effective shall be the directors of Land-Air, Inc. in office at the date when this plan and agreement becomes effective.

C. The first regular meeting of the board of directors of the corporation to be held after the date when this plan and agreement shall become effective may be called or may convene in the manner provided in the by-laws of the corporation and may be held at the time and place specified in the notice of the meeting.

D. The corporation shall pay all expenses of carrying this plan and agreement of merger into effect and of accomplishing the merger.

E. Upon the date when this plan and agreement shall become effective, the separate existence of Stepper Motors Corporation shall cease, and the constituent corporations shall be merged into Land-Air, Inc., the surviving corporation, in accordance with the provisions of this plan and agreement, which corporation shall possess all the rights, privileges, powers and franchises as well of a public as of a private nature and be subject to all the restrictions, disabilities and duties of each of the corporations, parties to this plan and agreement, and all and singular, the rights, privileges, powers and franchises of each of said corporations, and all property, real, personal and mixed, and all debts due to each of such corporations on whatever account, as well for stock subscriptions as all other things in action or belonging to each of the constituent corporations shall be vested in the surviving corporation; and all property, rights and privileges, powers and franchises and all and every other interest shall be thereafter as effectually the property of the surviving corporation as they were of the respective constituent corporations, and the title to any real or personal property, whether by deed or otherwise, vested in any of said corporations, parties hereto, shall not revert or be in any way impaired by reason of this merger, provided that all rights of creditors and all liens upon the property of any of said corporations, parties hereto, shall be preserved unimpaired, limited in lien to the property affected by such liens immediately prior to the time of the merger, and all debts, liabilities and duties of Stepper Motors Corporation shall thenceforth attach to the said surviving corporation and may be enforced against it to the same extent as if said debts, liabilities and duties had been incurred or contracted by it.

F. If at any time the surviving corporation shall consider or be advised that any further assignments or assurances in law or any things are necessary or desirable to vest in said corporation, according to the terms hereof, the title to any property or rights of said Stepper Motors Corporation, the proper officers and directors of said corporation shall and will execute and make all such proper assignments and assurances and do all things necessary or proper to vest title in such property or rights in the surviving corporation, and otherwise to carry out the purposes of this agreement of merger.

G. The surviving corporation may be served with process in the State of Nevada in any proceeding for the enforcement of any obligation of any corporation organized under the laws of the State of Nevada which is a party to the merger, and in any proceeding for the enforcement of the rights of a dissenting shareholder of any such corporation organized under the laws of the State of Nevada (continued on attached page)

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ARTICLE FIVE

As to each corporation, the number of shares outstanding, the number of shares entitled to vote, and the number and designation of the shares of any class entitled to vote as a class, are:

Name of Corporation	Total Number of Shares Outstanding	Total Number of Shares Entitled to Vote	Designation of Class Entitled to Vote as a Class (if any)	Number of Shares of Such Class (if any)
Land-Air, Inc.	10,950	10,950	Common Class A	10,000 950
Stepper Motors Corporation	100,000	100,000	Common	100,000

DYNCORP 00036

ARTICLE FOUR (cont'd)

against the surviving or new corporation.

H. The Secretary of State of the State of Nevada shall be and hereby is irrevocably appointed as the agent of the surviving corporation to accept service of process in any such proceeding.

I. The surviving corporation will promptly pay to the dissenting shareholders of any corporation organized under the laws of the State of Nevada which is a party to the merger the amount, if any, to which they shall be entitled under the provisions of "The Complied Laws of 1929" of the State of Nevada with respect to the rights of dissenting shareholders.

FIFTH: The mode of carrying this merger into effect is as follows:

A. This plan and agreement of merger shall be approved by at least a majority of the directors of each corporation, party to this merger, and shall be submitted to the stockholders of each of the corporations, parties hereto, at a meeting of the stockholders of each corporation separately called, upon notice as required by the statutes of the states of incorporation to each stockholder of each of said corporations, and if at said meetings so separately held, the votes, cast by ballot, of stockholders of each corporation, party hereto, representing not less than a majority of each class of the issued and outstanding shares of each such corporation, even though their right to vote be otherwise restricted or denied, shall be for the adoption of this plan and agreement, that fact shall be set forth in a certificate attached to the plan and agreement by the secretary or assistant secretary of each corporation party hereto, under the respective corporate seal, and the plan and agreement so adopted and certified shall be signed by the president and the secretary or assistant secretary of each corporation, party hereto under the respective corporate seal, and acknowledged by the president of each corporate party hereto to be the respective act, deed and agreement of each such corporation, and the plan and agreement so certified and acknowledged shall be filed in accordance with the requirements of the laws of the states of incorporation of the parties hereto and shall be effective upon such filing.

ARTICLE SIX

As to each corporation, the number of shares voted for and against the plan, respectively, and the number of shares of any class entitled to vote as a class voted for and against the plan, are:

Name of Corporation	Total Shares Voted for	Total Shares Voted Against	Class	Shares Voted for	Shares Voted Against
Land-Air, Inc.	10,950	None	Common A	10,000 950	None None
Stepper Motors Corporation	100,000	None	Common	100,000	None

ARTICLE SEVEN

All provisions of the laws of the State of Illinois and the State of Nevada applicable to the proposed merger ~~consolidation~~ have been complied with.

3 4 5

~~ARTICLE EIGHT~~

~~(Delete this article if surviving or new corporation is to be governed by the laws of the State of Illinois.)~~

It is agreed that, upon and after the issuance of a certificate of merger consolidation by the Secretary of State of the State of Illinois:

1. The surviving new corporation may be served with process in the State of Illinois in any proceeding for the enforcement of any obligation of any corporation organized under the laws of the State of Illinois which is a party to the merger consolidation, and in any proceeding for the enforcement of the rights of a dissenting shareholder of any such corporation organized under the laws of the State of Illinois against the surviving or new corporation;

2. The Secretary of State of the State of Illinois shall be and hereby is irrevocably appointed as the agent of the surviving new corporation to accept service of process in any such proceeding; and

3. The surviving new corporation will promptly pay to the dissenting shareholders of any corporation organized under the laws of the State of Illinois which is a party to the merger consolidation the amount, if any, to which they shall be entitled under the provisions of "The Business Corporation Act" of the State of Illinois with respect to the rights of dissenting shareholders.

IN WITNESS WHEREOF each of the undersigned corporations has caused these articles of merger ~~consolidation~~ to be executed in its name by its president or vice president and its corporate seal to be hereunto affixed, attested by its secretary or assistant secretary, as of the 31st day of July, 1959

Place (Corporate Seal) Here

LAND-AIR, INC.

By Martin T. Byke

Its President ~~Vice President~~

ATTEST:

Its Secretary ~~Assistant Secretary~~

Place (Corporate Seal) Here

STEPPER MOTORS CORPORATION

By

Its President ~~Vice President~~

ATTEST:

Its ~~Secretary~~ Assistant Secretary

DYNCORP 00038

4

6-4132

STATE OF Illinois
COUNTY OF Cook } ss.

I, Irene Gliem, a Notary Public, do hereby certify that on the 31st day of July, A.D. 1959, personally appeared before me Martin T. Dyke, who declares that he is the President of Land-Air, Inc., one of the corporations executing the foregoing documents, and being first duly sworn, acknowledged that he signed the foregoing articles of merger ~~consolidation~~ in the capacity therein set forth and declared that the statements therein contained are true.

IN WITNESS WHEREOF, I have hereunto set my hand and seal the day and year before written.

Irene Gliem
Notary Public

Place (Notarial Seal) Here

My Commission Expires May 28, 1962

STATE OF California
COUNTY OF Los Angeles } ss.

I, E.M. Senia, a Notary Public, do hereby certify that on the 3rd day of AUGUST, A.D. 1959, personally appeared before me Mark H. Hager, who declares that he is the President of Stepper Motors Corporation, one of the corporations executing the foregoing documents, and being first duly sworn, acknowledged that he signed the foregoing articles of merger ~~consolidation~~ in the capacity therein set forth and declared that the statements therein contained are true.

IN WITNESS WHEREOF, I have hereunto set my hand and seal the day and year before written.

E. M. Senia
Notary Public

Place (Notarial Seal) Here

My Commission Expires August 27, 1962

Form F-D
Box 2854 File 848

ARTICLES OF
MERGER
CONSOLIDATION
OF

FILED
AUG 13 1959
Secretary of State.

(File in Duplicate)
Filing Fee $20.00

(46030—5M—10-56)

DYNCORP 00039

41

Certificate Number 1028

STATE OF ILLINOIS

OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

Whereas, *Articles of* Merger *duly signed and verified of*

TAMMEN AND DENISON, INC. merged into LAND-AIR, INC.

have been filed in the Office of the Secretary of State on the 30th *day of* December *A.D. 19* 60 *, as provided by "*THE BUSINESS CORPORATION ACT*" of Illinois, in force July 13, A.D. 1933, as amended; Now Therefore, I,* CHARLES F. CARPENTIER, *Secretary of State of the State of Illinois, by virtue of the powers vested in me by law, do hereby issue this certificate of* merger *and attach thereto a copy of the Articles of* Merger *of the aforesaid corporation.*

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois.*

Done at the City of Springfield this 30th *day of* December *A.D. 19* 60 *and of the Independence of the United States the one hundred and* 85th.

(SEAL)

Charles F. Carpentier

SECRETARY OF STATE

DYNCORP 00040

42

2

ARTICLES OF MERGER ~~CONSOLIDATION~~

(Strike Inapplicable Word)

(Do not write in this space)

Date Paid 12-30-60
Filing Fee $ 20 —
License Fee $
Franchise Tax $
Clerk

2697 4

To CHARLES F. CARPENTIER,
Secretary of State,
Springfield, Illinois.

The undersigned corporations, pursuant to Section 65 of "The Business Corporation Act" of the State of Illinois, hereby execute the following articles of merger ~~consolidation~~:

PAID
DEC 30 1960

ARTICLE ONE

The plan of merger ~~consolidation~~ is as follows:

A. Tammen and Denison, Inc., an Illinois corporation, shall be merged into Land-Air, Inc., an Illinois corporation, which shall be the surviving corporation.

B. The terms and conditions of the merger and the mode of carrying the same into effect are as follows:

1. Land-Air, Inc. and Tammen and Denison, Inc. shall become a single corporation which shall be Land-Air, Inc., the surviving corporation. The separate existence of Tammen and Denison, Inc. shall cease but the existence of Land-Air, Inc. shall continue.

2. Land-Air, Inc. shall possess all the rights, privileges, immunities and franchises of Land-Air, Inc. and of Tammen and Denison, Inc. All property, real, personal and mixed, all debts due on whatever account, all other choses in action, and all and every other interest of or belonging to or due to Tammen and Denison, Inc. shall be taken and deemed to be transferred and vested in Land-Air, Inc. without further act or deed.

3. Land-Air, Inc. shall be responsible and liable for all the liabilities and obligations of Tammen and Denison, Inc.

C. The manner and basis of converting the shares of Tammen and Denison, Inc. into shares or other securities or obligations of Land-Air, Inc. are as follows:

1. The number of shares which Land-Air, Inc. has authority to issue is:

Class A	1,000	No par value
Common	10,000	No par value

M.R.

DYNCORP 00041

Article One continued -

2. The number of issued shares of Land-Air, Inc. is:

Class A	1,000	No par value
Common	10,000	No par value

3. The number of shares which Tammen and Denison, Inc. is authorized to issue is 2,500 shares of the par value of $10 each, of which 1,270 shares have been issued.

4. Upon the issuance of a Certificate of Merger, the 1,270 issued shares of stock of Tammen and Denison, Inc., all of which are owned by Land-Air, Inc., and the 1,230 authorized and unissued shares of stock of Tammen and Denison, Inc. shall be cancelled and shall cease to exist. There shall be no change in the authorized or issued shares of stock of Land-Air, Inc. by virtue of the merger.

ARTICLE TWO

As to each corporation, the number of shares outstanding, and the number and designation of the shares of any class entitled to vote as a class, are:

Name of Corporation	Total Number of Shares Outstanding	Designation of Class Entitled to Vote as a Class (If any)	No. of Shares of Such Class (If any)
Land Air, Inc.	11,000	Class A	1,000
		Common	10,000
Tammen and Denison, Inc.	1,270	Common	1,270

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4

ARTICLE THREE

As to each corporation, the number of shares voted for and against the plan, respectively, and the number of shares of any class entitled to vote as a class voted for and against the plan, are:

Name of Corporation	Total Shares Voted For	Total Shares Voted Against	Class	Shares Voted For	Shares Voted Against
Land-Air, Inc.	11,000	None	A	1,000	None
			Common	10,000	None
Tammen and Denison, Inc.	1,270	None	Common	1,270	None

IN WITNESS WHEREOF, the undersigned corporation has caused these articles of merger ~~(or consolidation)~~ to be executed in its name by its President attested by its Secretary, this 27th day of December 1960.

TAMMEN AND DENISON, INC.

By M. F. Richards
Its (President) ~~or (Vice President)~~

PLACE
(Corporate Seal)
HERE

Attest:
Its (Secretary) ~~or (Assistant Secretary)~~

DISTRICT OF COLUMBIA
WASHINGTON
~~STATE OF~~ }
~~COUNTY OF~~ } ss.

I, CATHERINE THOMAS, a Notary Public, do hereby certify that on the 27th day of December, A.D. 1960, personally appeared before me M. F. RICHARDS who declares he is President of the corporation, executing the foregoing document, and being first duly sworn, acknowledged that he signed the foregoing articles of merger ~~(or consolidation)~~ in the capacity therein set forth and declared that the statements therein contained are true.

IN WITNESS WHEREOF, I have hereunto set my hand and seal the day and year before written.

Catherine Thomas
My Commission Expires April 1, 1961. Notary Public

PLACE
(Notarial Seal)
HERE

DYNCORP 00043

45 5

IN WITNESS WHEREOF, the undersigned corporation has caused these articles of merger (~~or consolidation~~) to be executed in its name by its President attested by its Secretary, this 27th day of December 1960

LAND-AIR, INC.

By _____
Its (President) ~~or (Vice-President)~~

PLACE
(Corporate Seal)
HERE

Attest:

Its (Secretary) ~~or (Assistant Secretary)~~

DISTRICT OF COLUMBIA
WASHINGTON
~~STATE OF~~ _____ } ss.
~~COUNTY OF~~ _____

I, CATHERINE THOMAS, a Notary Public, do hereby certify that on the 27th day of December, A.D. 1960, personally appeared before me C. G. GULLEDGE who declares he is President of the corporation, executing the foregoing document, and being first duly sworn, acknowledged that he signed the foregoing articles of merger (~~or consolidation~~) in the capacity therein set forth and declared that the statements therein contained are true.

IN WITNESS WHEREOF, I have hereunto set my hand and seal the day and year before written.

_____
My Commission Expires April 1, 1961. Notary Public

PLACE
(Notarial Seal)
HERE

Box 2554 File 5558

ARTICLES OF
MERGER ~~OR CONSOLIDATION~~
OF
TAMMEN AND DENISON, INC.
INTO
LAND-AIR, INC.

FILED
DEC 30 1960
Secretary of State

Filing Fee, $20.00

(64610—5M—2-53)

DYNCORP 00044

File Number 2854-848-6

STATE OF ILLINOIS

OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that I am the keeper of the records of the Department of Business Services. I certify that

THE FOREGOING AND HERETO ATTACHED IS A TRUE AND CORRECT COPY, CONSISTING OF 44 PAGES, AS TAKEN FROM THE ORIGINAL ON FILE IN THIS OFFICE FOR LAND-AIR, INC.**********

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 21ST *day of* MARCH *A.D.* 2017 .

Jesse White

SECRETARY OF STATE

Authentication #: 1708002295 verifiable until 03/21/2018.
Authenticate at: http://www.cyberdriveillinois.com

NOTICE - Unless this report is filed prior to March 1st 10% must be added to the amount of franchise taxes otherwise due, and the corporation is also subject to a fine not to exceed $500.00. Only one copy of the report is required to be furnished to the Secretary of State. See that the report is properly executed and corporate and notarial seals affixed before mailing. Any failure to do so may necessitate the return of the report and subject the corporation to the above penalties.

CHARLES F. CARPENTER,
Secretary of State

ANNUAL REPORT

(USE TYPEWRITER IN MAKING THIS REPORT)

To the Secretary of State of the State of Illinois:

Land-Air, Inc., a corporation
(Give present exact corporate name)

organized under the laws of the state of Illinois, pursuant to the provisions of "The Business Corporation Act" of the State of Illinois, hereby makes the following report:

1. The name and official position of the officer executing this report is B. L. Graubart

Treasurer
(President, vice-president, secretary, assistant secretary, treasurer, receiver, assignee or trustee)

2. The address of the registered office of the corporation in the State of Illinois is

208 South La Salle Street, c/o CT Corporation System, Chicago 4, Illinois /Cook
(Number) (Street) (City) (Zone) (County)

and the name of its registered agent is CT Corporation System

3. The names and respective addresses of it officers and directors are:

NAME	OFFICE	ADDRESS NUMBER AND STREET	CITY	STATE
See attached schedule	President			
	Secretary			
	Treasurer			
	Director			
	Director			
	Director			
	Director			
	Director			

(NOTE: List All Directors Above.--Illinois corporations must have at least three directors)

4. The following is a brief statement of the character of the business in which the corporation is actually engaged: Manufacture of electronic equipment, supply, maintenance and engineering services.

5. If a foreign corporation the date of its incorporation is _____ and the period of its duration is _____

6. If a foreign corporation, the address of its principal office in the State of its incorporation is _____
(Number) (Street)
(City) (Zone) (County) (State)

DYNCORP 00046

7. The aggregate number of shares which the corporation has authority to issue (as of preceding December 31st) is 11,000 itemized as follows:

Class	Series (If any)	Number of Shares	Par value per share or statement that shares are without par value.
A		1,000	No par value
Common		10,000	No par value

8. The aggregate number of issued shares (as of preceding December 31st) is 11,000 itemized as follows:

Class	Series (If any)	Number of Shares	Par value per share or statement that shares are without par value.
A		1,000	No par value
Common		10,000	No par value

*9. The amount of stated capital and paid-in surplus as of preceding December 31st is: (Read instructions on back before filling in.)

Stated Capital $ 110,000

Paid in Surplus $ 2,090,000
(If the corporation has no paid in surplus insert the word "none.")

Total $ 2,200,000 ✓ [illegible]

**10. Does the corporation elect to pay a franchise tax based upon its entire stated capital and paid-in surplus? Ans. No

(Note: if paragraph 10 is answered in the affirmative, paragraphs 11 to 19, inclusive, need not be answered. Paragraphs 11 to 19, inclusive, if answered, must be answered as of December 31st or as of the end of the fiscal year. Insert date.)

Pd, 274.35

*11. The total value expressed in dollars of all the property of the corporation everywhere located on Dec 31, 1961 (Date) is

*12. The total value expressed in dollars of all the property of the corporation located in Illinois on Dec 31, 1961 (Date) is

13. The gross amount of business of the corporation transacted everywhere during the past twelve months ending Dec 31, 1961 (Date) is

***14. The gross amount of business of the corporation transacted by it at or from places of business in the State of Illinois during the past twelve months ending Dec 31, 1961 (Date) is

15. Give the Location of the principal places of business of the corporation in to transact business and the amount of business transacted in each state last year:

California - Gardena
- Point Mugu
- San Leandro
New Mexico - Hallman Air Force Base
Wyoming - Cheyenne
Portion countries and sundry defense bases outside

16. From what office are the affairs of the corporation managed?

Ans. Chicago, Illinois and Washington, D. C.

***17. To what office or offices are all contracts with the corporation forwarded for final acceptance?

Ans. Various

18. Is the corporation actually transacting business at the present time in the State where it was incorporated?

Ans. Yes

19. At what office or offices are directors' and stockholders' meetings held?

Ans. Various

IN WITNESS WHEREOF, the undersigned corporation has caused this report to be executed in its name by its Treasurer
(President, vice-president, secretary, assistant secretary, treasurer, receiver, assignee or trustee)

and its corporate seal to be hereto affixed this 16th day of February, A.D. 19 62

Place (CORPORATE SEAL) Here

Land-Air, Inc.
(Name of corporation)

By _____
(President, vice-president, secretary, assistant secretary, treasurer, receiver, assignee or trustee)
B. L. Graubart, Treasurer

[redacted] District of Columbia [redacted] } ss.

I, Catherine Thomas, a Notary Public, do hereby certify that on the 16th day of February, A. D. 19 62, personally appeared before me B. L. Graubart who declares he is Treasurer of the corporation, executing the foregoing report, and being first duly sworn, acknowledged that he signed the foregoing document in the capacity therein set forth and declared that the statements herein contained are true.

IN WITNESS WHEREOF, I have hereunto set my hand and seal the day and year before written.

Place (NOTARIAL SEAL) Here

_____
Notary Public.
My Commission Expires April 1, 1965

DYNCORP 00048

LAND-AIR, INC.
7444 West Wilson Avenue
Chicago 31, Illinois

Attached to and made part of Illinois Annual Report for 1962

NAME	ADDRESS
DIRECTORS	
Jorge Carnicero	1510 H Street, N. W., Washington, D. C.
Charles G. Gallodge	1510 H Street, N. W., Washington, D. C.
M. F. Richards	1510 H Street, N. W., Washington, D. C.
J. P. Shhelling	1510 H Street, N. W., Washington, D. C.

OFFICERS

Chairman:	Jorge Carnicero	1510 H Street, N. W., Washington, D. C.
President:	Charles G. Gallodge	1510 H Street, N. W., Washington, D. C.
Exec. Vice Pres:	M. F. Richards	1510 H Street, N. W., Washington, D. C.
	J. P. Bigelow	7444 West Wilson Ave., Chicago, Illinois
Vice President:	M. Fried	1510 H Street, N. W., Washington, D. C.
	W. O. Kott	16226 S. Broadway, Gardena, California
	J. T. Shelton	1510 H Street, N. W., Washington, D. C.
	L. A. Stege	P. O. Box 3[illegible], Holloman A.F.B., New Mexico
	D. R. Bannister	7444 West Wilson Ave., Chicago, Illinois
	R. H. Conroy	P. O. Box 46 Point Mugu, California
	W. M. Johnson	2133 Adams San Leandro, California
Secretary:	J. P. Shhelling	1510 H Street, N. W., Washington, D. C.
Asst. Secretary:	Provine V. Hin	1510 H Street, N. W., Washington, D. C.
	J. P. Wood	7444 West Wilson Ave., Chicago, Illinois
	R. E. Lovell	P. O. Box 3[illegible], Holloman A.F.B., New Mexico
	G. E. Evans	7444 West Wilson Ave., Chicago, Illinois
Treasurer:	E. L. Grandbert	1510 H Street, N. W., Washington, D.C.

DYNCORP 00049

SPECIAL INSTRUCTIONS

This report must be signed and the facts set up therein verified by either the president, vice-president, secretary, assistant secretary, treasurer, receiver, assignee or trustee of the corporation, and the corporate seal must be affixed.

Unless this report is filed prior to March 1st, 10% must be added to the amount of the franchise tax otherwise due, and the corporation, if domestic, is also subject to dissolution; if a foreign corporation, it is subject to having its authority revoked and to a fine of not exceeding $500.00.

Failure to properly execute this report and to affix the proper corporate and notarial seals may necessitate its return and subject the corporation to the above penalties.

The information in paragraphs 1 to 6 inclusive, must be given as of the date of the execution of this report. The information in paragraphs 7 to 9 inclusive, must be given as of December 31st. The information in paragraphs 11 to 19 inclusive, must be given as of the close of business on December 31st, or as of the end of the fiscal year next preceding December 31st if the corporation is on a fiscal year basis.

The State of Illinois is entitled to base its annual franchise tax upon all business transacted by a corporation at or from places of business in this State. The fact that the goods may be shipped out of the State is immaterial.

*The amount of the stated capital and paid-in surplus of the corporation set out in paragraph 9 shall be the respective amounts thereof as defined by "The Business Corporation Act." The property requested in paragraphs 11 and 12 of this report shall include all property of the corporation, real, personal, tangible, intangible, or mixed without qualification.

Irrespective of the manner of designation thereof by the laws under which a foreign corporation is or may be organized, the stated capital and paid-in surplus of a foreign corporation shall be determined on the same basis and in the same manner as the stated capital and paid-in surplus of a domestic corporation, for the purpose of computing fees, franchise taxes and other charges.

**Corporations having all their property and business in this State are required under the Statute to pay upon their entire stated capital and paid in surplus and should answer paragraph 10 in the affirmative, as this will relieve them of the expense and trouble of giving the information called for in paragraphs 11 to 19, inclusive, which would be of no benefit to either the corporation or the State. Other corporations should give the detailed information called for in paragraphs 11 to 19, inclusive, in order that the Secretary of State may be able to ascertain the correct amount of franchise tax and license fee due from them unless such corporation elects to pay its annual franchise tax on the basis of its entire stated capital and paid in surplus, then the information required in paragraphs 11 to 19, inclusive, need not be given.

NOTICE
Please fill in corporate Name below with TYPEWRITER

ANNUAL REPORT
OF

Lenkurt, Inc.

File 2859 848

(Do not write in this space)
ANNUAL REPORT
RECEIVED AND FILED
FEB 19 1962
Charles F. Carpentier
Secretary of State

PAID
JUL 25 1962
Charles F. Carpentier
Secretary of State

NO FILING FEE REQUIRED

File Number 2854-848-6

STATE OF ILLINOIS

OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that I am the keeper of the records of the Department of Business Services. I certify that

THE FOREGOING AND HERETO ATTACHED IS A TRUE AND CORRECT COPY, CONSISTING OF 5 PAGES, AS TAKEN FROM THE ORIGINAL ON FILE IN THIS OFFICE FOR LAND-AIR, INC.**********

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 21ST *day of* MARCH *A.D.* 2017 .

Jesse White

SECRETARY OF STATE

Authentication #: 1708002397 verifiable until 03/21/2018.
Authenticate at: http://www.cyberdriveillinois.com

3990-7

CERTIFICATE OF INCORPORATION

OF

CALIFORNIA EASTERN AIRWAYS, INC.

RECEIVED & FILED

JAN 14 1946

0015 0000

CERTIFICATE OF INCORPORATION

of

CALIFORNIA EASTERN AIRWAYS, INC.

FIRST: The name of the corporation is

CALIFORNIA EASTERN AIRWAYS, INC.

SECOND: Its principal office in the State of Delaware is located at No. 100 West Tenth Street, in the City of Wilmington, County of New Castle. The name and address of its resident agent ~~are~~ is The Corporation Trust Company, No. 100 West Tenth Street, Wilmington, Delaware.

THIRD: The nature of the business, or objects or purposes to be transacted, promoted or carried on are:

(a) To engage in the business of carrying passengers and/or property for compensation as a private or common carrier in the air, by water or over highways and roads by means of motor propelled or powered equipment in commerce between the several states of the United States or between the United States and foreign countries, and in commerce within the borders of any particular state or foreign country in which the corporation may be then engaged in such business, or in which it may desire to engage in such business.

(b) To purchase, acquire, own, control, operate, manage, equip, lease, sell, transfer and encumber

DYNCORP 00053

and generally deal in airplanes, auto trucks, ships, and rolling equipment of all kinds used in the business of transportation of passengers, livestock and property for compensation as a common carrier over water, public highways or in the air between fixed termini or over regular routes, and/or by special contracts, and/or otherwise; to conduct the aforesaid business in all of its branches; and to do such other things as are incidental, proper or necessary to the operation of said business or the carrying out of any or all of said purposes; provided, however that nothing contained in these articles shall be deemed to authorize this corporation to engage in the railroad or street-railroad business.

(c) To promote, establish, purchase, acquire, own, hold, deal in and trade in, manage, exchange, equip, operate, lease, sell, transfer, mortgage, pledge or otherwise encumber and/or in any manner dispose of, lines or systems of transportation by air planes, trucks, busses, and other vehicles and conveyances, whether in the air, on the ground, or by water, and to transport for hire or otherwise, passengers, livestock, baggage, mail, express and/or freight of all kinds and classes; to acquire, own, hold, construct, repair, equip, operate, lease, let, mortgage, pledge or otherwise encumber, exchange, deal in and deal with, trade, sell or otherwise dispose of air planes, trucks, busses and other vehicles and conveyances of all kinds, for use in the air, on land or by water, and any or all parts, materials, equipment, appliances, appurtenances, machinery, supplies, tools, tires, fuels, oils and/or any and all other articles and property which are incidental to or used in connection with any of the afore-

DYNCORP 00054

said, or which may be necessary, useful or convenient in carrying on any of the business aforesaid.

(d) To purchase, lease, construct, rent or otherwise acquire; to hold, use, own and operate air-dromes, hangars, docks, wharves, drydocks, piers, repair yards, works, plants and appliances of all kinds, together with machinery, tools and accessories connected therewith, and to acquire all rights to lands on which air dromes, landing fields, dock yards, wharves or piers may be located, and to sell, mortgage, pledge, lease or otherwise dispose of the same.

(e) To manufacture, purchase or otherwise acquire, own, mortgage, pledge, sell, assign and transfer, or otherwise dispose of, to invest, trade, deal in and deal with goods, wares and merchandise and personal property of every class and description.

(f) To acquire, and pay for in cash, stock or bonds of this corporation or otherwise, the good will, rights, assets and property, and to undertake or assume the whole or any part of the obligations or liabilities of any person, firm, association or corporation.

(g) To acquire, hold, use, sell, assign, lease, grant licenses in respect of, mortgage or otherwise dispose of letters patent of the United States or any foreign country, patent rights, licenses and privileges, inventions, improvements and processes, copyrights, trade-marks and trade names, relating to or useful in connection with any business of this corporation.

(h) To guarantee, purchase, hold, sell, assign, transfer, mortgage, pledge or otherwise dispose of shares of the capital stock of, or any bonds, securities or evi-

DYNCORP 00055

dences of indebtedness created by any other corporation or corporations organized under the laws of this state or any other state, country, nation or government, and while the owner thereof to exercise all the rights, powers and privileges of ownership, including the right to vote thereon.

(i) To enter into, make and perform contracts of every kind and description with any person, firm, association, corporation, municipality, county, state, body politic or government or colony or dependency thereof.

(k) To borrow or raise moneys for any of the purposes of the corporation and, from time to time, without limit as to amount, to draw, make, accept, endorse, execute and issue promissory notes, drafts, bills of exchange, warrants, bonds, debentures and other negotiable or non-negotiable instruments and evidences of indebtedness, and to secure the payment of any thereof and of the interest thereon by mortgage upon or pledge, conveyance or assignment in trust of the whole or any part of the property of the corporation, whether at the time owned or thereafter acquired and to sell, pledge or otherwise dispose of such bonds or other obligations of the corporation for its corporate purposes.

(l) To buy, sell or otherwise deal in notes, open accounts, and other similar evidences of debt, or to loan money and take notes, open accounts, and other similar evidences of debt as collateral security therefor.

(m) To purchase, hold, sell and transfer the shares of its own capital stock; provided, it shall not use its funds or property for the purchase of its own shares of stock when such use would cause any impairment

of its capital except as otherwise permitted by law, and provided further that shares of its own capital stock belonging to it shall not be voted upon directly or indirectly.

(n) To have one or more offices, to carry on all or any of its operations and business and without restriction or limit as to amount to purchase or otherwise acquire, hold, own, mortgage, sell, convey, or otherwise dispose of real and personal property of every class and description in any of the States, Districts, Territories or Colonies of the United States, and in any and all foreign countries, subject to the laws of such state, district, territory, colony or country.

(o) In general, to carry on any other business in connection with the foregoing, and to have and exercise all the powers conferred by the laws of Delaware upon corporations formed under the act hereinafter referred to, and to do any or all of the things hereinbefore set forth to the same extent as natural persons might or could do.

The objects and purposes specified in the foregoing clauses shall, except where otherwise expressed, be in nowise limited or restricted by reference to, or inference from, the terms of any other clause in this certificate of incorporation, but the objects and purposes specified in each of the foregoing clauses of this article shall be regarded as independent objects and purposes.

FOURTH: The total number of shares of stock which the corporation shall have authority to issue is one million (1,000,000) and the par value of each of such

shares is one dollar ($1.00), amounting in the aggregate to one million dollars ($1,000,000.00). All shares shall be of one class.

No stockholder shall sell, assign, pledge, transfer or otherwise dispose of his holdings of shares of the corporation , or any part thereof, unless the corporation shall consent thereto in writing or unless such stockholder shall first make written offer, by registered mail, to the corporation for the purpose of granting to the corporation an option to purchase said shares at any time within thirty (30) days from the date of mailing of such notice, at a price equal to the book value or par value, whichever is lower, of said shares; and if, at the expiration of said period of thirty (30) days the corporation shall fail to exercise the option to purchase the said shares, the owner shall then be required to notify the other stockholders of the corporation, in writing, by registered mail, giving to such other stockholders, as an entity, the option to purchase said shares at the purchase price aforementioned for a period of thirty (30) days from the date of mailing of such notice; and, in the event the corporation and the other stockholders of the corporation shall fail to purchase the shares so offered within the respective periods of time above provided, the offeror shall then have unrestricted right to pledge, dispose of or transfer all shares so offered. But in the event said offeror is unable to dispose of said shares, within a period of one hundred eighty (180) days the said offeror must again comply with the foregoing provisions. In no event shall any stock be sold by a stockholder unless any and all accruing liabilities of such stockholder to the corpora-

tion shall be paid in full.

No shares of stock of the corporation shall be issued and sold by the corporation to any person or corporation without the approval and consent of the board of directors.

FIFTH: The amount of capital with which the corporation will commence business is one thousand dollars ($1,000.00).

SIXTH: The names and places of residence of the incorporators are as follows:

Names:	Residences:
C. S. Peabbles	Wilmington, Delaware
L. H. Herman	Wilmington, Delaware
S. M. Brown	Wilmington, Delaware

SEVENTH: The corporation is to have perpetual existence.

EIGHTH: The private property of the stockholders shall not be subject to the payment of corporate debts to any extent whatever.

NINTH: In furtherance, and not in limitation of the powers conferred by statute, the board of directors is expressly authorized:

To make, alter or repeal the by-laws of the corporation.

To authorize and cause to be executed mortgages and liens upon the real and personal property of the corporation.

To set apart out of any of the funds of the corporation available for dividends a reserve or reserves for

any proper purpose or to abolish any such reserve in the manner in which it was created.

By resolution or resolutions, passed by a majority of the whole board to designate one or more committees, each committee to consist of two or more of the directors of the corporation, which, to the extent provided in said resolution or resolutions or in the by-laws of the corporation, shall have and may exercise the powers of the board of directors in the management of the business and affairs of the corporation, and may have power to authorize the seal of the corporation to be affixed to all papers which may require it. Such committee or committees shall have such name or names as may be stated in the by-laws of the corporation or as may be determined from time to time by resolution adopted by the board of directors.

When and as authorized by the affirmative vote of the holders of a majority of the stock issued and outstanding having voting power given at a stockholders' meeting duly called for that purpose, or when authorized by the written consent of the holders of a majority of the voting stock issued and outstanding, to sell, lease or exchange all of the property and assets of the corporation, including its good will and its corporate franchises, upon such terms and conditions and for such consideration, which may be in whole or in part shares of stock in, and/or other securities of, any other corporation or corporations, as its board of directors shall deem expedient and for the best interests of the corporation.

The corporation may in its by-laws confer powers upon its board of directors in addition to the foregoing, and in addition to the powers and authorities expressly

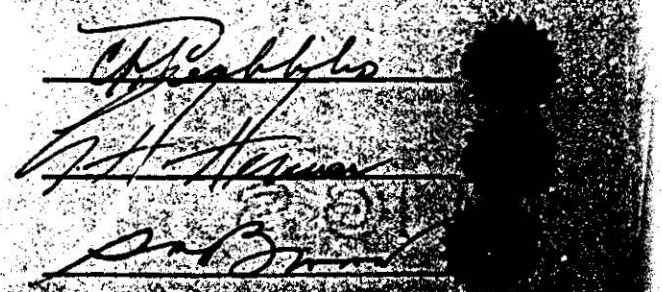
DYNCORP 00060

conferred upon it by statute.

TENTH: Meetings of stockholders may be held outside the State of Delaware, if the by-laws so provide. The books of the corporation may be kept (subject to any provision contained in the statutes) outside of the State of Delaware at such place or places as may be from time to time designated by the board of directors.

ELEVENTH: The corporation reserves the right to amend, alter, change or repeal any provision contained in this certificate of incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

WE, THE UNDERSIGNED, being each of the incorporators hereinbefore named for the purpose of forming a corporation in pursuance of the General Corporation Law of the State of Delaware, do make this certificate, hereby declaring and certifying that the facts herein stated are true, and accordingly have hereunto set our hands and seals this 14th day of January, A. D. 1946.



DYNCORP 00061

STATE OF DELAWARE)
) ss.:
COUNTY OF NEW CASTLE)

BE IT REMEMBERED, That on this 14th day of January, A. D. 1946, personally came before me, the undersigned, a Notary Public for the State of Delaware, County of New Castle, C. S. Peabbles, L. H. Herman and S. M. Brown, all of the parties to the foregoing certificate of incorporation, known to me personally to be such, and severally acknowledged the said certificate to be the act and deed of the signers respectively and that the facts therein stated are truly set forth.

GIVEN under my hand and seal of office the day and year aforesaid.

M. Ruth Manning
Notary Public.

[redacted]

DYNCORP 00062

3990-7

CERTIFICATE OF AMENDMENT

OF

CALIFORNIA EASTERN AIRWAYS, INC.

RECEIVED & FILED

FEB 10 1955 - 11 a.m.

John N. McDowell

SECRETARY OF STATE

a9138

0015 0043

CERTIFICATE OF AMENDMENT

-of-

CERTIFICATE OF INCORPORATION

-of-

CALIFORNIA EASTERN AIRWAYS, INC.

Adopted in Accordance with the Provisions of Section 242, Title 8 of the Delaware Code of 1953

CALIFORNIA EASTERN AIRWAYS, INC., a corporation organized and existing under and by virtue of the laws of the State of Delaware, DOES HEREBY CERTIFY:

1. That the Certificate of Incorporation of CALIFORNIA EASTERN AIRWAYS, INC. is hereby amended as follows:

By striking out entirely Article FIRST thereof and inserting in lieu thereof a new Article FIRST reading as follows:

"FIRST: The name of the corporation is CALIFORNIA EASTERN AVIATION, INC."

2. That such amendment has been duly adopted in accordance with the provisions of Section 242, Title 8 of the Delaware Code of 1953.

/

DYNCORP 00064

IN WITNESS WHEREOF, said CALIFORNIA EASTERN AIRWAYS, INC. has caused its corporate seal to be hereunto affixed and this certificate to be signed by SAMUEL J. SOLOMON its President and RUTH E.H. BASIUS, an Assistant Secretary, this 4th day of February, 1955.

CALIFORNIA EASTERN AIRWAYS, INC.,

By _____
President

By _____
Assistant Secretary

District of Columbia)
) ss:

BE IT REMEMBERED that on this 4th day of February, A.D. 1955, personally came before me Rae McBright, a Notary Public in and for the District of Columbia aforesaid, SAMUEL J. SOLOMON, President of California Eastern Airways, Inc., a corporation of the State of Delaware, the corporation described in and which executed the foregoing Certificate, known to me personally to be such, and he, the said SAMUEL J. SOLOMON, as such President, duly executed said Certificate before me and acknowledge the said Certificate to be his act and deed and the act and deed of said corporation; that the signatures

DYNCORP 00065

of the said President and of the Assistant Secretary of said corporation to said foregoing Certificate are in the handwriting of the said President and Assistant Secretary of said corporation respectively, and that the seal affixed to said Certificate is the corporate seal of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal of office the day and year aforesaid.

SEMBRIGHT NOTARY PUBLIC DIST OF COLUMBIA

Rose Th Bright

Notary Public

My Commission Expires Aug. 31, 1959

DYNCORP 00066

CERTIFICATE OF OWNERSHIP

OF

CALIFORNIA EASTERN AVIATION, INC. (DEL. DOM.)

MERGING

DYNALECTRON CORPORATION (DEL. DOM.)

3990-7

RECEIVED & FILED

JUN 15 1961 10 A.M.

SECRETARY OF STATE

CERTIFICATE OF OWNERSHIP AND MERGER

MERGING

DYNALECTRON CORPORATION

INTO

CALIFORNIA EASTERN AVIATION, INC.

* * * * *

CALIFORNIA EASTERN AVIATION, INC., a corporation organized and existing under the laws of Delaware, DOES HEREBY CERTIFY:

FIRST: That the corporation was incorporated on the 14th day of January, 1946, pursuant to the General Corporation Law of the State of Delaware.

SECOND: That this corporation owns all of the outstanding shares of the stock of DYNALECTRON CORPORATION, a corporation incorporated on the 20th day of December, 1960, pursuant to the General Corporation Law of the State of Delaware.

THIRD: That this corporation, by the following resolutions of its Board of Directors, duly adopted at a meeting held on the 26th day of April, 1961, determined to and did merge into itself said DYNALECTRON CORPORATION:

RESOLVED, that CALIFORNIA EASTERN AVIATION, INC. merge, and it hereby does merge into itself said DYNALECTRON CORPORATION, and assumes all of its obligations; and

FURTHER RESOLVED, that the proper officers of this corporation be and they hereby are directed to notify each stockholder of record of said DYNALECTRON CORPORATION, entitled to notice, within 10 days after the filing and recording of the Certificate of Ownership and Merger, that said

Certificate has been filed and recorded and of the terms and conditions of the merger; and

FURTHER RESOLVED, that the proper officers of this corporation be and they hereby are directed to make and execute, under the corporate seal of this corporation, a Certificate of Ownership and Merger setting forth a copy of the resolutions to merge said DYNALECTRON CORPORATION and assume its liabilities and obligations, and the date of adoption thereof, and to cause the same to be filed, in the manner provided by law, and to do all acts and things whatsoever, whether within or without the State of Delaware, which may be in anywise necessary or proper to effect said merger; and

FURTHER RESOLVED that this corporation relinquish its corporate name and assume in place thereof, the name of said merged corporation, namely DYNALECTRON CORPORATION.

IN WITNESS WHEREOF, said CALIFORNIA EASTERN AVIATION, INC. has caused its corporate seal to be affixed and this certificate to be signed by C. G. Gulledge, its President and J. P. Schelling, its Secretary this 14th day of June, A. D. 1961.

CALIFORNIA EASTERN AVIATION, INC.

BY _____
President

BY _____
Secretary

(CORPORATE SEAL)

DYNCORP 00069

DISTRICT OF COLUMBIA) ss:

BE IT REMEMBERED that on this 14th day of June, A. D. 1961, personally came before me, Catherine Thomas a Notary Public in and for the District of Columbia, C. G. Gulledge, President of CALIFORNIA EASTERN AVIATION, INC., a corporation of the State of Delaware, the corporation described in and which executed the foregoing certificate, known to me personally to be such, and he, the said C. G. Gulledge, as such President, duly executed said certificate before me and acknowledged the said certificate to be his act and deed and the act and deed of said corporation; that the signatures of the said President and of the Secretary of said corporation to said foregoing certificate are in the handwriting of the said President and Secretary of said corporation respectively, and that the seal affixed to said certificate is the common or corporate seal of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal of office the day and year aforesaid.

Catherine Thomas
Notary Public - D. C.

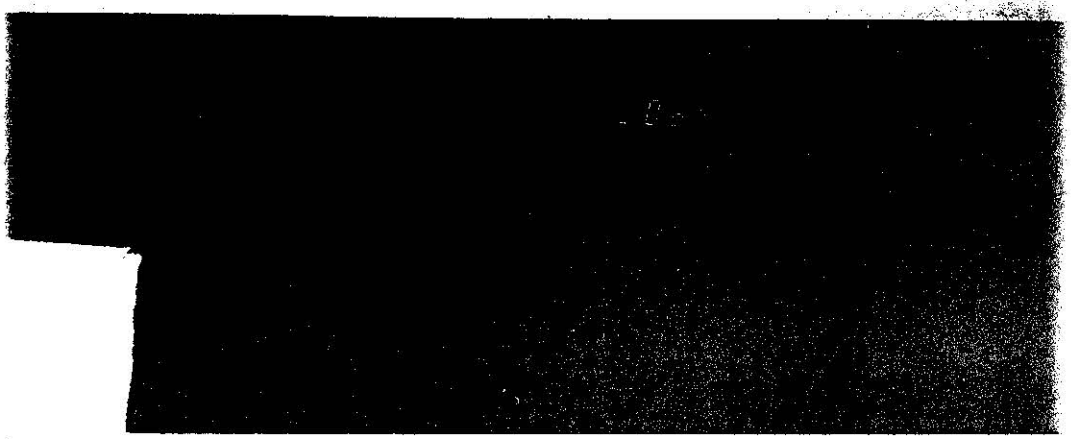
My Commission Expires:
April 1, 1966

(NOTARIAL SEAL)

DYNCORP 00070

Certificate of Ownership of the "CALIFORNIA EASTERN AVIATION, INC.", merging the "DYNALECTRON CORPORATION", pursuant to Section 253 of the General Corporation Law of the State of Delaware, as received and filed in this office the fifteenth day of June, A. D. 1961, at 10 o'clock A. M.

And I do hereby further certify that the "CALIFORNIA EASTERN AVIATION, INC.", has relinquished its corporate name and assumed in place thereof the name "DYNALECTRON CORPORATION".



CERTIFICATE OF OWNERSHIP

OF

DYNALECTRON CORPORATION (DEL. DOM.)

MERGING

LAND-AIR, INC. (ILL. DOM.)

MATTERN CORPORATION (ILL. DOM.)

3990-7

RECEIVED & FILED

DEC 31 1962 10 A.M.

Secretary of State

0015 0030

DYNCORP 00072

CERTIFICATE OF OWNERSHIP AND MERGER

MERGING

LAND-AIR, INC., AN ILLINOIS CORPORATION

AND

MATTERN CORPORATION, AN ILLINOIS CORPORATION

INTO

DYNALECTRON CORPORATION, A DELAWARE CORPORATION

* * * *

DYNALECTRON CORPORATION, a corporation organized and existing under the laws of Delaware,

DOES HEREBY CERTIFY:

FIRST: That this corporation was incorporated on the 14th day of January, 1946, pursuant to the General Corporation Law of the State of Delaware.

SECOND: (1) That this corporation owns all of the outstanding shares of each class of the stock of LAND-AIR, INC., a corporation incorporated on the 31st day of January, 1946, pursuant to The Business Corporation Act of the State of Illinois.

(2) That this corporation owns all of the outstanding shares of the stock of MATTERN CORPORATION, a corporation incorporated on the 30th day of August, 1957, pursuant to The Business Corporation Act of the State of Illinois.

THIRD: That this corporation, by the following resolutions of its Executive Committee of the Board of Directors, duly adopted at a meeting held on the 18th day of December, 1962, determined to and did merge into itself said LAND-AIR, INC. and MATTERN CORPORATION, Illinois corporations:

RESOLVED, that DYNALECTRON CORPORATION merge, and it hereby does merge into itself said LAND-AIR, INC. and MATTERN CORPORATION,

wholly-owned Illinois corporations, and assumes all of their obligations; and

FURTHER RESOLVED, that the proper officers of this corporation be and they hereby are directed to make and execute, under the corporate seal of this corporation, a Certificate of Ownership and Merger setting forth a copy of the resolutions to merge said LAND-AIR, INC. and MATTERN CORPORATION, Illinois corporations, and assume their liabilities and obligations, and the date of adoption thereof, and to cause the same to be filed, in the manner provided by law, and to do all acts and things whatsoever, whether within or without the State of Delaware, which may be in anywise necessary or proper to effect said merger.

said resolutions by the Executive Committee of the Board of Directors being duly authorized by the following resolutions of the Board of Directors duly adopted at a meeting held on the 31st day of October, 1962:

RESOLVED, that management is hereby authorized and directed to cause a study to be made to determine the advantages to be gained to the corporation through the merger of any of its subsidiaries into this corporation, or through mergers between the subsidiaries themselves; and

FURTHER RESOLVED, that the Executive Committee of this Board of Directors be and hereby is authorized to take such steps to merge LAND-AIR, INC. and any other of this corporation's subsidiaries into this corporation if the results of the study mentioned above should, in the opinion of the Executive Committee, be deemed to represent the most advantageous course of action to the corporation.

DYNCORP 00074

IN WITNESS WHEREOF, said DYNALECTRON CORPORATION has caused its corporate seal to be affixed and this certificate to be signed by C. G. GULLEDGE, its President and J. P. SCHELLING, its Secretary this 20th day of December A. D. 1962.

DYNALECTRON CORPORATION

By _____
President

(CORPORATE SEAL)

By _____
Secretary

DYNCORP 00075

DISTRICT OF COLUMBIA: ss

BE IT REMEMBERED that on this 20th day of December A. D. 1962, personally came before me, Jennie G. Aronstein, a Notary Public in and for the District of Columbia, C. G. GULLEDGE, President of DYNALECTRON CORPORATION, a corporation of the State of Delaware, the corporation described in and which executed the foregoing certificate, known to me personally to be such, and he, the said C. G. GULLEDGE as such President, duly executed said certificate before me and acknowledged the said certificate to be his act and deed and the act and deed of said corporation; that the signatures of the said President and of the Secretary of said corporation to said foregoing certificate are in the handwriting of the said President and Secretary of said corporation respectively, and that the seal affixed to said certificate is the common or corporate seal of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal of office the day and year aforesaid.

Jennie G. Aronstein
Notary Public

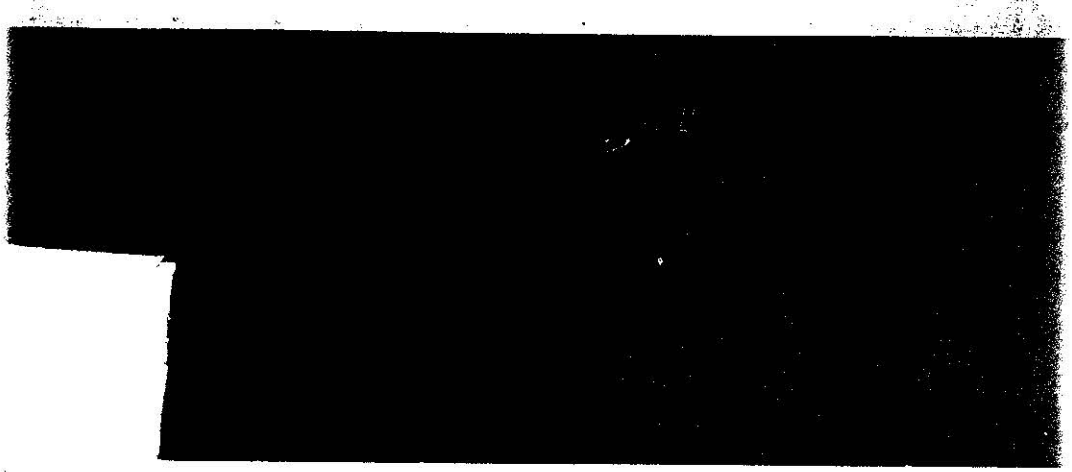
My Commission expires June 14, 1964

JENNIE G. ARONSTEIN NOTARY PUBLIC DISTRICT OF COLUMBIA
(NOTARIAL SEAL)

DYNCORP 00076

Certificate of Ownership of the "DYNALECTRON CORPORATION", a corporation organized and existing under the laws of the State of Delaware, merging "LAND-AIR, INC." and "MATTERN CORPORATION", corporations organized and existing under the laws of the State of Illinois, pursuant to Section 253 of the General Corporation Law of the State of Delaware, as received and filed in this office the thirty-first day of December, A. D. 1962, at 10 o'clock A. M.

(DELAWARE SURVIVES)



877174065

CERTIFICATE OF CORRECTION

TO THE

CERTIFICATE OF AMENDMENT
(filed May 18, 1987)

12noon
FILED
JUN 23 1987

Pursuant to Section 103(f)
of the General Corporation
Law of the State of Delaware

Dyn Corp., a Delaware corporation (hereinafter the "Corporation"), does hereby certify as follows:

FIRST: On May 18, 1987, the Corporation filed with the Secretary of State a Certificate of Amendment changing its name from Dynalectron Corporation to Dyn Corp.

SECOND: The Certificate of Amendment was an inaccurate record of the corporate action therein referred to.

THIRD: The name that was approved by the stockholders of the Corporation was DynCorp, not Dyn Corp.

FOURTH: The first resolution set forth in the Certificate of Amendment is hereby corrected to read in its entirety as set forth below:

RESOLVED, that the Restated Certificate of Incorporation of this Corporation be amended by changing the FIRST Article thereof so that, as amended, said Article shall be and read as follows:

"The name of the corporation is: DynCorp"

FIFTH: The foregoing correction was prepared in accordance with the provisions of Section 103(f) of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, this Certificate of Correction has been duly executed this 22nd day of June, 1987.

Dyn Corp.

By _____
David L. Reichardt
Senior Vice President
and General Counsel

ATTEST:

By _____
H. Montgomery Hougen
Secretary

Certificate of Correction filed to correct a certain error in the Certificate of Amendment, of "DYN CORP.", filed in this office May 18, 1987, as received and filed in this office the twenty-third day of June, A.D. 1987, at 12 o'clock Noon.

737138043

FILED

MAY 18 1987
3:30PM

CERTIFICATE OF AMENDMENT

OF

RESTATED CERTIFICATE OF INCORPORATION

* * * * *

Dynalectron Corporation, a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware, DOES HEREBY CERTIFY:

FIRST: That the Board of Directors of Dynalectron Corporation, by the unanimous written consent of its members filed with the minutes of the Board, duly adopted resolutions setting forth a proposed amendment to the Restated Certificate of Incorporation of said Corporation, declaring said amendment to be advisable and calling a meeting of the stockholders of said Corporation for consideration thereof. The resolution setting forth the proposed amendment is as follows:

> RESOLVED, that the Restated Certificate of Incorporation of this Corporation be amended by changing the FIRST Article thereof so that, as amended, said Article shall be and read as follows:
>
> "The name of the corporation is: Dyn Corp."

SECOND: That at a meeting of the Board of Directors of Dynalectron Corporation resolutions were duly adopted setting forth a proposed amendment to the Restated Certificate of Incorporation of said Corporation, declaring said amendment to be advisable and calling a meeting of the stockholders of said Corporation for consideration thereof. The resolution setting forth the proposed amendment is as follows:

RESOLVED, that the Restated Certificate of Incorporation of this Corporation be amended by adding thereto a new Article FOURTEENTH, to read as follows:

"FOURTEENTH: A director of this corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except that this Article FOURTEENTH shall not eliminate or limit a director's 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. If the Delaware General Corporation Law is amended after approval by the stockholders of this Article FOURTEENTH to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the corporation shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law, as so amended from time to time. Any repeal or modification of this Article FOURTEENTH shall not increase the personal liability of any director of this corporation or otherwise adversely affect any right or protection of a director of the corporation existing at the time of such repeal or modification. The provisions of this Article FOURTEENTH shall not be deemed to limit or preclude indemnification of a director by the

corporation for any liability of a director which has not been eliminated by the provisions of this Article FOURTEENTH."

THIRD: That thereafter, an annual meeting of the stockholders of said Corporation was duly called and held on May 11, 1987, upon notice in accordance with Section 222 of the General Corporation Law of the State of Delaware, at which meeting the necessary number of shares as required by statute were voted in favor of the foregoing amendments.

FOURTH: That said amendments were duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, said Dynalectron Corporation has caused this certificate to be signed by David L. Reichardt, its Senior Vice President, and attested by H. Montgomery Hougen, its Secretary, this 12th day of May, 1987.

DYNALECTRON CORPORATION

By: _____
David L. Reichardt
Senior Vice President and
General Counsel

ATTEST:

By: _____
H. Montgomery Hougen
Secretary

CERTIFICATE OF FORMATION

OF

DynCorp International LLC

The undersigned, an authorized natural person, for the purpose of forming a limited liability company, under the provisions and subject to the requirements of the State of Delaware (particularly Chapter 18, Title 6 of the Delaware Code and the acts amendatory thereof and supplemental thereto, and known, identified, and referred to as the "Delaware Limited Liability Company Act"), hereby certifies that:

FIRST: The name of the limited liability company (hereinafter called the "limited liability company") is DynCorp International LLC.

SECOND: The address of the registered office and the name and the address of the registered agent of the limited liability company required to be maintained by Section 18-104 of the Delaware Limited Liability Company Act are Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808.

Executed on December 27, 2000

K. M. Ball

K. M. Ball, Authorized Person

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 09:00 AM 12/27/2000
001652179 – 3336709

State of Delaware
Secretary of State
Division of Corporations
Delivered 12:20 PM 02/11/2005
FILED 12:21 PM 02/11/2005
SRV 050114468 - 3889005 FILE

CERTIFICATE OF AMENDMENT TO

THE CERTIFICATE OF INCORPORATION

OF

DI ACQUISITION CORP.

DI Acquisition Corp., a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), hereby certifies as follows:

FIRST: That the Certificate of Incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on December 1, 2004.

SECOND: That the Board of Directors of the Corporation, by unanimous written consent in lieu of a meeting in accordance with Section 141(f) of the General Corporation Law of the State of Delaware, adopted the following resolution proposing and declaring advisable the following amendment to the Certificate of Incorporation of the Corporation:

> **FURTHER RESOLVED**, that, subject to the approval of the Corporation's sole stockholder, the Certificate of Incorporation of the Corporation be amended by deleting the first paragraph in its entirety and replacing it with the following:
>
> "FIRST. The name of the corporation is: DYNCORP INTERNATIONAL INC. (the "Corporation")."

THIRD: That in lieu of a meeting and vote of stockholders, the sole stockholder of the Corporation has given its written consent to said amendment in accordance with the provisions of Section 228 of the General Corporation Law of the State of Delaware, and said written consent was filed with the Corporation.

FOURTH: That the aforesaid amendment to the Certificate of Incorporation of the Corporation was duly adopted in accordance with the applicable provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment to the Certificate of Incorporation of the Corporation to be duly executed as of the 11th day of February, 2005.

DI ACQUISITION CORP.

By: /s/ Robert B. McKeon
Name: Robert B. McKeon
Title: President

DynCorp International LLC
8445 Freeport Parkway
Suite 400
Irving, Texas 75063

CONSENT TO USE OF NAME

I, Robert B. McKeon, Authorized Person of DynCorp International LLC, a limited liability company organized under the laws of the State of Delaware, hereby consents to the use of the name DYNCORP INTERNATIONAL INC. in the State of Delaware.

IN WITNESS WHEREOF, the said DynCorp International LLC has caused this consent to be executed by Robert B. McKeon, Authorized Person.

DynCorp International LLC

/s/ ROBERT B. McKEON
Robert B. McKeon, Authorized Person

State of Delaware
Secretary of State
Division of Corporations
Delivered 01:39 PM 12/01/2004
FILED 01:22 PM 12/01/2004
SRV 040862632 - 3889005 FILE

CERTIFICATE OF INCORPORATION
of
DI ACQUISITION CORP.

(Pursuant to Section 102 of the General Corporation Law of the State of Delaware)

THE UNDERSIGNED, desiring to form a corporation pursuant to the provisions of the General Corporation Law of the State of Delaware (the "GCL"), hereby certifies as follows:

FIRST: The name of the corporation is: DI ACQUISITION CORP. (the "Corporation").

SECOND: The address of the registered office of the Corporation in the State of Delaware is 615 South Dupont Highway, City of Dover, County of Kent, State of Delaware 19901. The name of the registered agent of the Corporation at such address is National Corporate Research, Ltd.

THIRD: The nature of the business or purposes to be conducted or promoted by the Corporation are to engage in, promote, and carry on any lawful act or activity for which corporations may be organized under the GCL.

FOURTH: The total number of shares of stock that the Corporation shall have authority to issue is 1,000 shares of Common Stock. The par value of said shares shall be $0.01 per share.

FIFTH: The name and mailing address of the sole incorporator of the Corporation is Christian H. Mittweg, Esq., c/o Schulte Roth & Zabel LLP, 919 Third Avenue, New York, New York 10022.

SIXTH: The board of directors of the Corporation shall have the power to adopt, amend or repeal the Bylaws of the Corporation at any meeting at which a quorum is present by the affirmative vote of a majority of the whole board of directors. Election of directors need not be by written ballot. Any director may be removed at any time with or without cause, and the vacancy resulting from such removal shall be filled, by vote of a majority of the stockholders of the Corporation at a meeting called for that purpose or by unanimous consent in writing of the stockholders.

SEVENTH: To the fullest extent permitted by law, no director of the Corporation shall be liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director.

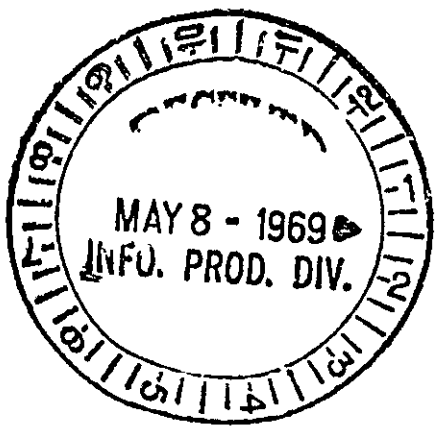
THE UNDERSIGNED has executed this Certificate of Incorporation this 1st day of December, 2004.

/s/ Christian H. Mittweg
Christian H. Mittweg
Sole Incorporator

9770017.1

RECD-S.E.C.

APR 3 01969



039100

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C.
20549

FORM 10-K

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

For the fiscal year ended December 31, 1968 Commission file number 1-3879-2

D Y N A L E C T R O N C O R P O R A T I O N
(Exact name of registrant as specified in its charter)

Delaware	36-2408747
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2233 Wisconsin Ave., N.W., Washington, D. C. (Address of principal executive offices)	20007 (Zip Code)

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

Title of each class	Name of each exchange on which registered
Common Stock having a par value of $.10 per share	American Stock Exchange

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

-None-
(Title of class)

DYNCORP 00089

ITEM 1. NUMBER OF EQUITY SECURITY HOLDERS

As of April 14, 1969, the number of holders of record of each class of equity securities of the Registrant was as follows:

Title of class	Number of record holders
Common stock having a par value of $.10 per share	12,647
$6,000,000 6-7/8% Convertible Subordinated Notes due October 15, 1988	16(a)

(a) Three additional at deferred closing mentioned below

ITEM 2. INCREASES AND DECREASES IN OUTSTANDING EQUITY SECURITIES

During the fiscal year ending December 31, 1968, the amount of equity securities of the Registrant outstanding increased as follows:

Title of class: Common stock having a par value of $.10 per share

	Number of shares
Balance issued, December 31, 1967	4,354,795
Exercise of stock options by company employees during the period January to December, 1968	51,070
	4,405,865
Less treasury stock retired	257,500
Balance outstanding, December 31, 1968	4,148,365

Title of class: $6,000,000 6-7/8% Convertible Subordinated Notes due October 15, 1988

Under date of October 15, 1968, the Registrant entered into certain note agreements which provided for the private issuance of $6,000,000 of convertible subordinated notes. The notes, which are not registered under the Securities Act of 1933, are convertible in their principal amount into common stock of the Registrant with a par value of $.10 per share at any time prior to maturity at $19.00 per share. 315,790 shares of the common stock of the Registrant have been reserved for issuance for this purpose.

Notes in the amount of $3,350,000 were issued at an initial closing dated October 23, 1968, and the remainder, an additional $2,650,000 of said notes, will be issued at a deferred closing to be held on or before May 1, 1969.

This transaction was reported by the Registrant by its Form 8-K for the month of October, 1968, which is incorporated herein by reference.

ITEM 3. PARENTS AND SUBSIDIARIES OF REGISTRANT

See ownership chart attached.

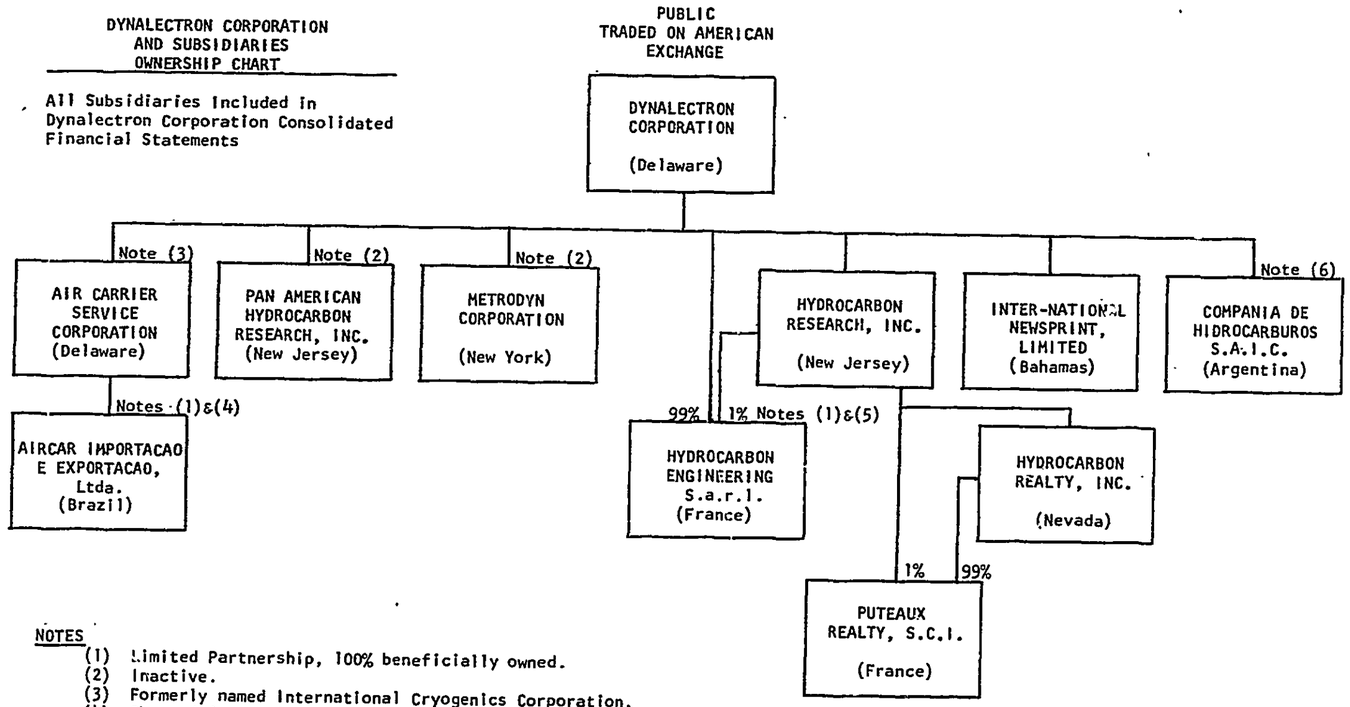
ITEM 4 THROUGH 9

These items omitted as this information is included in the Registrant's proxy statement filed previously.

DYNCORP 00090

DYNALECTRON CORPORATION
AND SUBSIDIARIES
OWNERSHIP CHART

All Subsidiaries Included in
Dynalectron Corporation Consolidated
Financial Statements



NOTES

(1) Limited Partnership, 100% beneficially owned.
(2) Inactive.
(3) Formerly named International Cryogenics Corporation.
(4) Changed from a Socieda-de-Anonima in February, 1969.
(5) In process of being changed to a Societe Anonyme.
(6) In process of formation.

DYNCORP 00091

ITEM 10. FINANCIAL STATEMENTS AND EXHIBITS

(a) Index of financial statements and related data:

Reports of independent public accountants

Financial statements -
Consolidated balance sheet
Statement of consolidated income
Statement of consolidated stockholders' equity

Schedules -
V - Property and equipment
VI - Accumulated depreciation and amortization
VII - Intangible assets
XII - Reserves

Separate financial statements of the parent company have been omitted since it is primarily an operating company and the long-term debt of subsidiaries is guaranteed by the parent company.

The following schedules are not submitted because they are not applicable to or required of the Registrant, or the information required to be set forth therein is included in the financial statements or footnotes thereto:

I, II, III, IV, VIII, IX, X, XI, XIII, XIV, XV, XVI and XVII.

(b) Exhibits:

Exhibit A - Contract No. F34601-68-D-4506
Department of the Air Force
Directorate, Procurement and Production
Oklahoma City Air Material Area
Tinker Air Force Base, Oklahoma

Exhibit B - Contract No. DA-29-040-AMC-1505(R) -
Modifications 48 through 58 (Original contract and modifications 1 through 47 except 8 and 22 filed with Registrant's Form 10-K for the preceding years)
Department of the Army
Purchasing and Contracting Division
White Sands Missile Range
New Mexico

Exhibit C - Contract No. DA-23-204-AMC-04022(T) -
Modifications 8 through 12 (Original contract and modifications 1 through 7 filed with Registrant's Form 10-K for 1967)
Department of the Army
Headquarters, U.S. Army Aviation
Material Command
Saint Louis, Missouri

The above Exhibits constitute a material portion (about 51% of the Registrant's revenue.

SIGNATURE

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

DYNALECTRON CORPORATION

Date: April 28, 1969

/S/ By: M. F. Richards
M. F. Richards
Vice President and Treasurer

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Dynalectron Corporation:

We have examined the consolidated balance sheet of DYNALECTRON CORPORATION (a Delaware corporation) and subsidiaries as of December 31, 1968, and the statements of consolidated income and stockholders' equity for the year then ended and the supporting schedules (Schedules V, VI, VII and XII). Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The financial statements of Liberia Refining Company, the investment in which represents approximately eleven per cent of the assets of the Company, were examined by other auditors and we were furnished with their report thereon.

In our opinion, based upon our examination and the report of other auditors referred to above, the accompanying consolidated financial statements present fairly the financial position of Dynalectron Corporation and subsidiaries as of December 31, 1968, and the results of their operations for the year then ended, and the supporting schedules present fairly the information required to be set forth therein, all in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

/S/ ARTHUR ANDERSEN & CO.

Washington, D. C.,
March 5, 1969.

DYNCORP 00093

COOPERS & LYBRAND
CHARTERED ACCOUNTANTS

LAGOS, ACCRA, MONROVIA.
LONDON: ABACUS HOUSE, GUTTER LANE, CHEAPSIDE, E.C.2.

UNITED KINGDOM, UNITED STATES OF AMERICA, CANADA, MEXICO, BERMUDA, BAHAMAS, JAMAICA, PUERTO RICO, VENEZUELA, AUSTRALIA, NEW GUINEA, NEW ZEALAND, MALAYSIA, SINGAPORE, HONG KONG, IRAN, BELGIUM, DENMARK, FRANCE, GERMANY, THE NETHERLANDS, ITALY, NORWAY, SPAIN, SWEDEN, SWITZERLAND, SOUTH AFRICA, RHODESIA, ZAMBIA, KENYA, TANZANIA, UGANDA.

REPRESENTING IN GHANA
ARTHUR ANDERSEN & CO.

TELEPHONE: MONROVIA 21525.
TELEGRAMS. COOPERS MONROVIA.

P. O. BOX 660,
BANK OF LIBERIA BUILDING,
MONROVIA,
LIBERIA.

TO THE BOARD OF DIRECTORS

OF LIBERIA REFINING COMPANY

MONROVIA, LIBERIA

We have examined the balance sheet of Liberia Refining Company as of December 31, 1968. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion the balance sheet (not separately included herein) presents fairly the financial position of Liberia Refining Company at December 31, 1968 in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

/s/ Coopers & Lybrand

Monrovia
March 3, 1969

Chartered Accountants

DYNCORP 00094

DYNALECTRON CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET - DECEMBER 31, 1968

A S S E T S

CURRENT ASSETS:	
Cash	$ 613,657
Notes and current portion of long-term receivables (Note 5)	989,100
Accounts receivable -	
Due from U.S. Government	6,241,325
Trade and other	3,152,096
Allowances for doubtful accounts (Schedule XII)	(36,120)
Contracts in process, at net realizable value	1,349,286
Purchased and manufactured products, at lower of cost (first-in, first-out) or market	841,955
Prepaid expenses	178,176
Total current assets	13,329,475
LONG-TERM RECEIVABLES, due on various dates through 1972, less current portion included above and allowances for possible non-recovery of $656,823 (Note 5 and Schedule XII)	1,016,361
PROPERTY AND EQUIPMENT, at cost (Note 11 and Schedule V)	
Land, buildings and improvements	1,592,091
Machinery and equipment	2,043,112
	3,635,203
Accumulated depreciation and amortization (Schedule VI)	(1,680,688)
Net property and equipment	1,954,515
INVESTMENT IN AND ADVANCES TO LIBERIA REFINING COMPANY (Note 3)	2,128,770
PATENTS AND PROCESSES	1
INTANGIBLE ASSETS, at cost, less amortization of $51,870 (Schedule VII)	8,130
OTHER ASSETS (Note 6)	219,264
	$18,656,516

The accompanying notes are an integral part of this balance sheet.

DYNCORP 00095

DYNALECTRON CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET - DECEMBER 31, 1968

L I A B I L I T I E S

CURRENT LIABILITIES:	
Portion of long-term debt due within one year	$ 597,309
Accounts payable	1,153,392
Advances on contracts in process	2,251,822
Accrued expenses -	
Salaries and wages	1,677,937
Other (Note 10)	1,505,390
Total current liabilities	7,185,850
LONG-TERM DEBT, less portion due within one year (Note 5)	1,771,106
6-7/8% CONVERTIBLE SUBORDINATED NOTES, due October 15, 1988 (Note 6)	3,350,000
OTHER LIABILITIES AND DEFERRED CREDITS	562,174
Total liabilities	12,869,130
COMMITMENTS AND CONTINGENCIES (Note 2)	
STOCKHOLDERS' EQUITY:	
Capital stock -	
Preferred stock, par value ten cents per share, authorized and unissued, 1,000,000 shares	-
Common stock, par value ten cents per share, authorized, 6,000,000 shares; issued 4,148,365 shares (Notes 6 and 8)	414,837
Paid-in surplus	5,497,218
Retained earnings (deficit)(Note 6)	(124,669)
Total stockholders' equity	5,787,386
	$18,656,516

The accompanying notes are an integral part of this balance sheet.

DYNCORP 00096

DYNALECTRON CORPORATION AND SUBSIDIARIES

STATEMENT OF CONSOLIDATED INCOME

FOR THE YEAR ENDED DECEMBER 31, 1968

REVENUES:	
Services (Note 7)	$53,401,359
Sales of purchased and manufactured products	3,492,904
Royalties	477,312
	57,371,575
COSTS AND EXPENSES:	
Cost of sales and services	52,025,969
Selling, general and administrative	3,545,835
Research and development	390,865
Interest expense (net of $133,130 interest income)	228,840
	56,191,509
Income before income taxes and extraordinary item	1,180,066
PROVISION FOR INCOME TAXES (Note 4):	
Federal	620,000
Foreign	59,000
Income before extraordinary item	501,066
EXTRAORDINARY ITEM:	
Federal income tax reduction, resulting from loss carry-forward	620,000
NET INCOME	$ 1,121,066
EARNINGS PER SHARE, based on weighted average shares outstanding:	
Income before extraordinary item	$ 0.12
Extraordinary item	0.15
Net income	$ 0.27

The accompanying notes are an integral part of this statement.

DYNCORP 00097

DYNALECTRON CORPORATION AND SUBSIDIARIES

STATEMENT OF CONSOLIDATED STOCKHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 1968

	COMMON STOCK	PAID-IN SURPLUS	RETAINED EARNINGS (Deficit)
BALANCE, beginning of year	$435,479	$5,844,046	$(1,245,735)
Net income			1,121,066
Common stock issued in connection with exercise of stock options (Note 8)	5,108	206,797	
Retirement of treasury stock	(25,750)	(553,625)	
BALANCE, end of year	$414,837	$5,497,218	$ (124,669)

The accompanying notes are an integral part of this statement.

DYNCORP 00098

DYNALECTRON CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1968

(1) PRINCIPLES OF CONSOLIDATION

All subsidiaries of the Company are wholly-owned and have been included in the Company's consolidated statements. Significant intercompany transactions have been eliminated.

At December 31, 1968, the Company's investment in the net assets of the consolidated subsidiaries exceeded its equity in these subsidiaries by $1,257,963, which is included in retained earnings (deficit) in the accompanying balance sheet.

(2) COMMITMENTS AND CONTINGENCIES

A substantial part of the Company's business is with departments and agencies of the United States Government and is subject to the Renegotiation Act of 1951. The Company has been cleared by the Renegotiation Board through 1967. In connection with the licensing of processes, particularly where patents are involved, the Company frequently extends patent indemnity commitments. The Company is the defendant in an arbitration proceeding in which damages approximating $3,000,000 are alleged; in the opinion of Company counsel there is no substance to these allegations. In addition, the Company is a party to legal proceedings arising out of the normal conduct of its business in which plaintiffs are alleging damages of approximately $467,000 in excess of offsetting reimbursements. In the opinion of management, final disposition of the matters described above will not materially adversely affect the financial position of the Company.

Under various leases which expire from 1969 to 1976, the Company leases manufacturing and office facilities at a current aggregate annual rate of approximately $419,000. Aggregate commitments under lease agreements were approximately $1,385,000 at December 31, 1968. In addition, the Company is guarantor on a loan approximating $200,000 made to the purchaser of three Super H Constellation aircraft formerly owned by the Company.

(3) LIBERIA REFINING COMPANY

At December 31, 1968, the Company owned 33% of Liberia Refining Company (LRC). After completion of a secondary offering representing 15% of the LRC stock (currently under negotiation), the Company will own 18% of LRC. LRC holds an exclusive right to construct and then operate for twenty-five years an oil refinery located in Liberia. The refinery construction, for which the Company served as prime contractor, was essentially complete at December 31, 1968. LRC financed the cost of constructing the refinery through funds made available by its stockholders. The Company's obligation of approximately $3,700,000 is being satisfied through (1) a guarantee of bank credit for LRC of $1,500,000 collateralized by certain notes and accounts receivable, (2) cash loans and (3) acceptance of LRC notes for a portion of the services performed under the construction contract. As of December 31, 1968, the Company held LRC interest bearing notes in the amount of $2,043,000 payable over six years beginning in 1970.

DYNCORP 00099

(4) INCOME TAXES

As of December 31, 1968, the Company had Federal and foreign tax loss carry-forwards in excess of $2,000,000 which expire principally in 1969. In addition, the Company has approximately $100,000 of tax credits which expire through 1975.

(5) LONG-TERM DEBT

At December 31, 1968, long-term debt, exclusive of the current portion, consisted of the following:

5-1/2% notes payable to French banks, secured by amounts due from the Thailand Government, payable in 1970	$ 59,620
8-3/4% mortgage note payable, secured by Paris, France condominium offices, payable annually in five equal amounts beginning in 1972	408,200
6-3/4% notes payable, secured pro rata by 6-7/8% convertible note proceeds from the deferred closing scheduled on or before May 1, 1969 (Note 6)	1,241,355
6-1/2% notes payable to others	61,931
	$1,771,106

The aggregate maturities of the long-term debt for the years subsequent to December 31, 1968, are as follows:

Due during the year ended December 31,	
1969	$1,241,355 (a)
1970	102,953
1971	10,833
1972	81,640
1973	81,640
after 1974	252,685
	$1,771,106

(a) Secured pro rata by 6-7/8% convertible note proceeds from the deferred closing. (Note 6)

DYNCORP 00100

(6) CONVERTIBLE SUBORDINATED NOTES

During 1968 the Company issued 6-7/8% convertible subordinated notes totalling $3,350,000. The Note Agreement provides for the issuance of an additional $2,650,000 on or before May 1, 1969. The notes are due $600,000 annually commencing in 1979. The Company may, subject to certain restrictions, prepay the notes at prices decreasing from 107% of principal in 1969 to 100% in 1988. The Note Agreement restricts, among other things, the amount and type of indebtedness, pledges, acquisitions or dispositions of subsidiaries and major properties as well as the payment of dividends other than stock dividends. Cash dividends are restricted to 50% of consolidated net income (as defined) subsequent to December 31, 1967, to the extent not offset by otherwise prohibited disbursements and provided consolidated working capital (as defined) will exceed $4,000,000 after giving effect to the dividend. Working capital at all other times must be maintained at not less than $2,500,000. Working capital was $6,144,000 at December 31, 1968.

The Company has reserved 315,790 shares of its common stock for conversion of the notes at $19.00 per share (subject to adjustment under antidilution provisions).

At December 31, 1968, the unamortized balance of debt discount and expense applicable to the notes was $186,526. This amount is included in Other Assets in the accompanying consolidated balance sheet and is being amortized on a straight-line, bonds outstanding basis. Total amortization for the year ended December 31, 1968, was $1,725.

(7) CONTRACT ACCOUNTING

Major construction and engineering contracts may extend over a period of years. Accordingly, the Company records income from these contracts on a percentage-of-completion basis. Proceeds from claims against customers, as well as adjustments arising out of construction and engineering contracts, are recorded in the year such claims or adjustments are settled.

The accompanying statement of consolidated income includes $131,000 in revenues as a result of prior period claims and adjustments settled.

Service revenues include a gain of $275,000 on the sale of the Company's 50% equity interest in Mingo Oxygen Company and its rights under a continuing service agreement to Mingo's major customer. The Company's 50% equity interest in Mingo was acquired in 1959 in connection with the negotiation of an engineering and construction contract. The purpose of the equity interest was to provide a basis for calculating an engineering fee which was contingent on the plant's efficiency. The gain on the sale and cancellation has been included in service revenues as additional income under these contracts.

DYNCORP 00101

(8) EMPLOYEE STOCK OPTIONS

During 1968 the stockholders approved the 1968 Stock Option Plan under which qualified options to purchase the Company's common stock may be granted to officers and key employees at market value on date of grant. The 1968 Plan supplements the Plan adopted in 1961 and replaces two prior option plans which were terminated by the Board of Directors except as to outstanding options which totalled 72,677 shares on December 31, 1968. Options granted under the prior plans were exercisable 50% one year after grant; 100% two years after grant; and expired five years after grant. Options granted under the 1968 Plan are exercisable two years after grant and expire five years after grant. Details with respect to options issued under the plans are as follows:

		Option Price		Reported Market Value - (a) At Date Granted (b) When Exercisable (c) When Exercised	
	Number of Shares	Per Share	Total	Per Share	Total
Options outstanding at December 31, 1968	161,900	$3.25-21.44	$1,822,635	$ 3.25-21.44(a)	$1,822,635
Options which became exercisable during the year ended December 31, 1968	19,700	7.38-12.63	147,214	16.69-22.25(b)	362,122
Options which were exercised during the year ended December 31, 1968	51,070	2.38- 7.38	211,905	15.13-21.56(c)	961,024

No charges have been reflected in the consolidated income statement with respect to these options. Upon exercise, the proceeds in excess of the ten cent par value of the shares are credited to paid-in surplus.

(9) PENSION PLANS

The Company has three pension plans (two of which are contributory), adopted in 1956, 1964 and 1965, which cover substantially all employees. The plans, in general, provide that employees are eligible for retirement benefits at age 65. The total pension expense for the year was $183,000, which includes $57,000 for amortization of past service costs over periods ranging from 10 to 30 years. The Company's present policy is to fund the current year's normal cost plus a portion of the past service cost accrued. Based upon the latest actuarial reports, the unfunded past service costs exceed the liabilities accrued in the accompanying financial statements by approximately $850,000. The Company's liability for participants' vested benefits as of December 31, 1968, was less than the net assets of the pension funds.

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(10) ACCRUED EXPENSES - OTHER

The following items are included in Current Liabilities in the accompanying consolidated balance sheet:

Payroll and other taxes, inclusive of income taxes except Federal income taxes	$ 541,620
Insurance	231,620
Employee pension plans	209,844
Transportation	140,676
Interest	113,448
Other	268,182
	$1,505,390

(11) DEPRECIATION, AMORTIZATION, MAINTENANCE AND RETIREMENT POLICIES

Depreciation and amortization are computed on a straight-line basis over the estimated service life for substantially all property and equipment. Estimates currently employed, by type of property, are:

Type of property	Estimated life
Buildings	10-20 years
Machinery and equipment	3-10 years
Leasehold improvements	Term of lease

Expenditures for maintenance and repairs are charged to expense as incurred, and additions and betterments are capitalized.

Cost of property and equipment sold or retired and the related reserves for depreciation are removed from the accounts in the year of disposal and any gains or losses are reflected in the statement of consolidated income.

(12) SUPPLEMENTARY PROFIT AND LOSS INFORMATION

The following items are included as deductions in the accompanying statement of consolidated income for the year ended December 31, 1968:

Maintenance and repairs	$ 185,087
Depreciation and amortization (Schedule VI)	336,238
Taxes, other than income taxes	
Payroll	1,469,621
Other	303,518
Management and service contract fees	-
Rents	647,825
Royalties	2,563
Provision for doubtful accounts (Schedule XII)	15,659

DYNCORP 00103

DYNALECTRON CORPORATION AND SUBSIDIARIES

SCHEDULE V - PROPERTY AND EQUIPMENT

FOR THE YEAR ENDED DECEMBER 31, 1968

Classification	Balance at beginning of period	Additions at cost	Retirements or sales	Other changes debit or (credit)	Balance at close of period
Land, buildings and improvements	$1,487,303 (3)	$176,037	$ 71,249	$ --	$1,592,091
Machinery and equipment	1,886,574 (3)	228,726	70,354	(1,834) (1)	2,043,112
Aircraft, including engines and supporting spares	2,652,139	--	--	(2,652,139) (2)	--
	$6,026,016	$404,763	$141,603	$(2,653,973)	$3,635,203

NOTES:

(1) Charges to expense.

(2) Transferred to inventory at net realizable value.

(3) Beginning balances restated as follows:

	Property and equipment	Leasehold improvements, net of amortization	Land, buildings and improvements	Machinery and equipment
Balance as reported on 1967 Form 10-K	$ 3,071,109	$ 195,035	$ --	$ --
Reclassify property and equipment	(3,071,109)		1,184,535	1,886,574
Reclassify leasehold improvements		(195,035)	195,035	
Accumulated amortization of leasehold improvements (Schedule VI)			107,733	
Restated balance	$ --	$ --	$1,487,303	$1,886,574

DYNCORP 00104

DYNALECTRON CORPORATION AND SUBSIDIARIES

SCHEDULE VI - ACCUMULATED DEPRECIATION AND AMORTIZATION

FOR THE YEAR ENDED DECEMBER 31, 1968

Classification	Balance at beginning of period	Additions: Charged to income	Additions: Charged to other accounts	Deductions: Retirements or sales	Deductions: Other	Balance at close of period
Buildings and improvements	$ 180,114 (3)	$ 92,656 (A)	$ --	$ 60,027	$ --	$ 212,743
Machinery and equipment	1,333,508 (3)	203,459 (B)	--	69,022	--	1,467,945
Aircraft, including engines and supporting spares	2,474,916	--	--	--	2,474,916 (1)	--
	$3,988,538	$296,115	$ --	$129,049	$2,474,916	$1,680,688

NOTES:

(1) Written-off as applicable aircraft was transferred to inventory.

(2) The statement of consolidated income includes the following charges for depreciation and amortization:

Building depreciation and amortization of leasehold improvements	$ 92,656 (A)
Depreciation of machinery and equipment	203,459 (B)
Amortization of small tools included in Prepaid Expenses	27,455
Amortization of intangible assets (Schedule VII)	12,667
	$336,238

(3) Beginning balances restated as follows:

	Property and equipment	Buildings and improvements	Machinery and equipment
Balance as reported on 1967 Form 10-K	$ 1,405,889	$ --	$ --
Reclassify property and equipment	(1,405,889)	72,381	1,333,508
Accumulated amortization of leasehold improvements (Schedule V)		107,733	
Restated balances	$	$180,114	$1,333,508

DYNCORP 00105

DYNALECTRON CORPORATION AND SUBSIDIARIES

SCHEDULE VII - INTANGIBLE ASSETS

FOR THE YEAR ENDED DECEMBER 31, 1968

Classification	Balance at beginning of period	Additions at cost	DEDUCTIONS		Balance at close of period
			Charged to income	Charged to other accounts	
Patents and licenses (purchased)	$ 1,667 (1)	$ --	$ 1,000	$ --	$ 667
Agreement not to compete	16,667 (1)	--	10,000	--	6,667
Franchise agreement	2,463 (1)	--	1,667	--	796
	$20,797	$ --	$12,667 (2)	$ --	$8,130

NOTES:
(1) Cost, less amortization to date.
(2) See Note 2 on Schedule VI.

DYNCORP 00106

DYNALECTRON CORPORATION AND SUBSIDIARIES

SCHEDULE XII - RESERVES

FOR THE YEAR ENDED DECEMBER 31, 1968

Description	Balance at beginning of period	Additions: Charged to income	Additions: Charged to other accounts	Deductions from reserves	Balance at close of period
Allowances for doubtful accounts	$ 35,161	$ --	$9,378 (1) 1,000 (2)	$ 6,066 (3) 1,350 (2) 2,003 (4)(B)	$ 36,120
Allowances for possible non-recovery of long-term receivables	$1,704,188	$32,729 (A)	$1,350 (2)	$ 19,988 (3) 1,000 (2) 15,067 (4)(C) 1,045,389 (6)	$656,823
Reserve for aircraft and engine overhaul	$ 118,740	$ --	$ --	$ 118,740 (5)	$ --

NOTES:
(1) Transfer from warranty reserve.
(2) Transfer between reserves.
(3) Write-off of uncollectible accounts.
(4) Reversal of prior years' reserves.
(5) Applicable aircraft transferred to inventory at net realizable value.
(6) Write-down of long-term receivables to net realizable value.
(7) The statement of consolidated income includes the following provision for doubtful accounts for the year ended December 31, 1968:

$ 32,729	(A)
(2,003)	(B)
(15,067)	(C)
$ 15,659	

END

DYNCORP 00107

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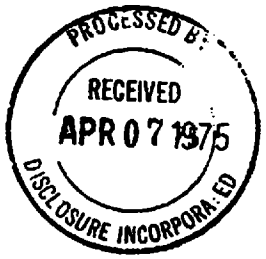

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1974 Commission file number 1-3379-2

D Y N A L E C T R O N C O R P O R A T I O N
(Exact name of registrant as specified in its charter)

Delaware	36-2408747
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2233 Wisconsin Ave., N.W., Washington, D.C.	20007
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number (202) 338-4600

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

Title of each class	Name of each exchange on which registered
Common Stock having a par value of $.10 per share	American Stock Exchange

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

-None-
(Title of class)

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

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DYNCORP 00108

ITEM 1. BUSINESS

The Registrant's operations are conducted and administered through its Technical Services Group, Electrical Engineering and Contracting Group, and Hydrocarbon Group, each of which consists of one or more divisions or subsidiaries. The Registrant's business is divided among these groups generally based on the type of services rendered.

Technical Services Group -

This Group, which consists of four divisions and five wholly-owned subsidiaries, is engaged primarily in the performance of service contracts for the U.S. Government (handles most of the Registrant's business with the Government) and in commercial aviation support services.

The primary services rendered by the Group are as follows: (a) technical services principally under U.S. Government prime contracts and subcontracts for modification and maintenance of aircraft and heavy construction equipment by mobile field teams which are currently assigned to approximately 36 locations in the United States and 12 locations in 4 foreign countries; (b) data collection and related technical services for the U.S. Army and U.S. Air Force at the White Sands Missile Range in New Mexico and a launch site at Green River, Utah; (c) technical and related support services for the U.S. Navy in connection with the operation and maintenance of its missile test range in the Pacific; (d) services to commercial airlines, including ground handling of aircraft, building and equipment maintenance, cabin grooming and baggage and cargo handling at seven commercial airports and two Air Force bases in the United States; (e) technical services related to computer operations and data processing under a U.S. Navy contract at Norco, California; (f) maintenance and overhaul of various types of aircraft, including commercial jet equipment and aircraft components at Miami International Airport and in Sao Paulo, Brazil; (g) marketing of aircraft and related equipment principally in South America; and (h) the sale, installation and maintenance of telephone interconnect systems (business telephone systems) and communications systems in the Washington, D. C. area and major cities in Texas.

Electrical Engineering and Contracting Group -

The eight wholly-owned subsidiaries and two divisions comprising this Group, are principally engaged in the performance of electrical contracting and installation services. The services provided include electrical installations in commercial, industrial and municipal buildings, power plants, automated bulk mail facilities and the construction of power transmission and distribution facilities. Principal customers are general contractors, power utilities and municipalities. A member of this Group also engages in the wholesale distribution of electrical equipment and supplies in the States of Indiana, Kentucky and Tennessee. One division installs insulating materials covering heating and air conditioning ducts and piping in commercial, municipal and industrial buildings as a subcontractor to mechnical contractors. This division also engages in the wholesale distribution of insulating materials from its Dallas warehouse.

The principal markets served by the Group include metropolitan Washington, D.C., Southeastern United States, Southern California, the Dallas/Fort Worth area, the States of Kentucky, Indiana and Nevada and the Canadian Provinces of Ontario, Alberta, British Columbia and Quebec.

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Hydrocarbon Group -

The operating activities of the Hydrocarbon Group, which is comprised of four wholly-owned subsidiaries (two subsidiaries were acquired in mid-1974), include (a) development and licensing of petroleum, petrochemical, cryogenic and metallurgical processes; (b) design, construction and start-up of process plants in the aforementioned fields; (c) operating contracts with owners of such process plants, including technical supervision, procurement and management consulting services; and (d) thermal insulation sales, installation and service primarily for the petroleum, petrochemical and process industries. The Group maintains engineering offices in Miami, Florida and Houston, Texas; a sales and process engineering support office in New York City; insulation contracting and supply warehouses in Houston, Texas and Lake Charles, Louisiana, as well as Calgary and Edmonton, Alberta, Canada. The Group's research facilities are located at Trenton, New Jersey.

In January 1975, AFB Contractors, with its principal office in Martinez, California, was added to the Group. See Note 2 of notes to consolidated financial statements.

The more important processes in which the Group has an equity interest are:

H-Oil®: A process for the hydrogenating and upgrading of heavy and residual feedstocks into lighter, higher grade petroleum products that can be refined with other conventional processing techniques. In the operation of this process, a major portion of the metal and sulphur contained in the feedstock can be removed and recovered in a form that is suitable for the further processing into commercially important residues. A feature used in the H-Oil process (the ebullating bed) is protected by patent through 1978; however, significant improvements to the process are covered by additional patents expiring on various dates through 1992.

Licenses based on this process, the dominating patents for which are 10% owned by the Registrant, have to date been granted on a paid-up royalty basis. Under a paid-up license, the licensee, in return for payment of a fixed sum, acquires the right to utilize the licensed process for an unlimited time to produce up to a specified number of barrels per year. No additional royalties are payable unless the licensee's yearly production exceeds the specified maximum. Customarily, the fixed sum is paid in several installments commencing with execution of the license. The bulk of the royalties is payable over varying schedules after the units have commenced operation. The Registrant's share (approximately 50%) of the paid-up royalties for licenses issued (three) aggregates $1,683,834 all of which has been included in the determination of income. With regard to litigation affecting this process, see Note 12 of notes to consolidated financial statements.

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Hydrodealkyiation (HDA): This is a process for producing benzene from partially refined petroleum materials. Benzene is used as an intermediate compound in the manufacture of chemicals, plastics and certain types of synthetic fibers. Sixteen licenses have been issued to use this process in various parts of the world involving paid-up royalties ranging from $168,000 to $468,000 per plant. Licenses granted for this process are also generally on a paid-up royalty basis, with payment terms similar to those for the H-Oil process license. The Registrant receives from 16% to 24% of the royalties granted under this jointly owned process depending upon who issues the license. The basic patent on the HDA process expires in 1983 with improvements to the process covered by additional patents expiring on various dates through 1990.

H-Coal®: This is a process in the developmental stage for converting bituminous coal and lignites (sub-bituminous material) into synthetic crude oil through the application of technology similar to the H-Oil process. The same basic feature (the ebullating bed) used in the H-Oil process is also used in the H-Coal process and is under patent until 1978; however, significant improvements in H-Coal technology are protected by patents expiring on various dates through 1991.

In September 1974, a wholly-owned subsidiary of the Registrant received award of an $8.1 million, 14-month first-phase contract for the engineering portion of a multi-phase project for the construction and operation of a 600-ton-per-day (nominal capacity) coal liquefaction pilot plant which will employ the Registrant's proprietary H-Coal process. The contract awarded by the Office of Coal Research (OCR), a part of the Energy Research and Development Administration, is jointly funded; two-thirds by Government and one-third by industry. The preliminary engineering relating to this pilot plant project was commenced in December 1, 1973.

Research funds have been provided in the past by the Registrant, OCR and private firms. The U.S. Government dedicates to the public domain that portion of the technology and two patents which were developed through use of its funds, and private companies have received technical data and credits towards H-Coal license royalties in return for past research and engineering funds provided. Research and development is presently being accomplished with about half of the funds received from OCR, the Commonwealth of Kentucky and private firms under agreements whereby they jointly fund the program, with each receiving access rights to current technology developed by the Registrant during the pilot plant contract and certain rights in patents developed during the period of their participation. These agreements contain secrecy provisions regarding proprietary background technology conveyed. New participants also receive access to the background technology and certain credits toward royalties should a license be taken with respect to related patents and technology of the Registrant employed in the process and continuing participants from past programs expand their royalty credit positions. See Note (f) of notes to statements of consolidated earnings.

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Government Contracts -

Generally, contracts with the U.S. Government and subcontracts under U.S. Government contracts are obtained through competitive bidding, are subject to competitive rebidding at periodic intervals and may be terminated at the convenience of the Government. Upon such termination, the Registrant is generally entitled to be paid its allowable costs plus a proportionate share of the profits or fee on the work done. The Registrant's contracts with the U.S. Government generally vary in duration from one to five years; however, the Registrant's more significant Government contracts are for periods of at least three years or for one year with renewal options exercisable by the Government. Most of the Registrant's Government contracts and subcontracts are subject to statutory renegotiation under the Renegotiation Act of 1951. The Registrant has been cleared by the Renegotiation Board through December 31, 1970, and the Registrant believes that it has no renegotiation liability for subsequent periods.

Competition -

The general fields in which the Registrant conducts business are highly competitive. The services provided under Government contracts are subject to intense competition in the technical services industry where the Registrant's competitors include major aerospace firms whose size and financial resources often far exceed those of the Registrant. The Registrant believes, however, that it is a leading supplier of field team services to the U.S. Government. With regard to commercial aircraft services, numerous companies are as large or larger than the members of the Technical Services Group which offer competing services. In the area of petroleum and petrochemical engineering and contracting, there are numerous domestic and foreign firms larger in size than the Registrant, and in process licensing the Registrant's competitors include larger engineering companies as well as several major oil companies. The subsidiaries engaged in thermal insulation sales, installation and services (primarily related to the petroelum and petrochemical process industries) are among the largest in the U.S./Canadian market. In many instances the individual members of the Electrical Engineering and Contracting Group compete with companies which are larger in size and have greater availability of financial resources. The Registrant believes, however, that its electrical Group overall has expanded in terms of contract revenues to one of the largest electrical contractors in the United States. The Registrant is not a significant factor as a distributor or dealer in aircraft and related equipment nor in the sale, installation and maintenance of interconnect telephone systems and communications systems.

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Lines of Business

The accompanying table I shows for the years 1970 through 1974 the relative contributions to the Registrant's revenue and earnings before income taxes (as defined below) by its major lines of business. Table II shows for such periods the approximate amount of business done without and within the United States. The amount of business done outside the United States is further detailed to reflect the approximate portion attributable to the United States Department of Defense, commercial (including customers partially owned by foreign governments) and discontinued operations. The contribution to earnings in both tables has been shown before the application of general and administrative expense and miscellaneous expenses because these expenses for the most part do not vary directly with any elements of the Registrant's business.

The data in tables I and II include, on a retroactively restated basis throughout, activities related to Airtech Service, Inc. (acquisition closed in February 1970), Griffin Construction Company (acquisition closed in January 1971), and Servair Inc. (acquisition closed in September 1971), all of which were accounted for as poolings-of-interests.

All of the Registrant's operating groups are engaged to varying extents in activities outside the United States. With the exception of the business under U.S. Government contracts, the Registrant's foreign operations are subject to risks in addition to those associated with its domestic operations. Such risks include but are not limited to the existence or potential imposition of exchange controls, governmental expropriation of assets and fluctuations in foreign currency exchange rates, which are not unusual in the conduct of business in parts of the world in which the Registrant operates.

(Tables I and II - see pages 6 and 7)

Backlog and Number of Employees

Backlog of the Registrant aggregated $88,000,000 at December 31, 1973, and $128,000,000 at December 31, 1974, of which approximately $33,000,000 is not expected to be included in revenue during 1975. On an overall basis, business of the Registrant is not subject to significant seasonal variations.

During the year ended December 31, 1974, approximately $187,000 was spent on research and development relating to the Registrant's process licensing activities of which $75,000 was company sponsored.

At December 31, 1974, the Registrant had approximately 5,900 employees of which approximately 15 were professional full-time employees (supported by approximately 57 technical and maintenance personnel) engaged in process research and development activities.

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TABLE I

DYNALECTRON CORPORATION AND SUBSIDIARIES

MAJOR LINES OF BUSINESS

	Percent Years Ended December 31,				
	1970	1971	1972	1973	1974
Electrical Engineering and Contracting Group:					
Installation, sales and engineering in the commercial and industrial electrical fields					
Revenue	4.2	22.7	36.0	52.1	54.6
Earnings contribution	5.1	34.1	50.6	56.3	48.5
Technical Services Group:					
Aviation and heavy equipment maintenance and modification					
Revenue	57.7	23.3	19.9	15.9	9.4
Earnings contribution	75.5	36.9	33.8	25.8	16.9
Support services for missile ranges, radar and test facilities and data processing activities					
Revenue	17.2	18.4	22.9	20.2	14.8
Earnings contribution	22.3	25.1	31.3	24.9	18.7
Sales and support services for commercial aviation					
Revenue	9.7	8.8	10.5	7.9	10.3
Earnings contribution	5.3	8.3	15.4	9.0	15.2
Other					
Revenue	-	-	.1	1.4	1.4
Earnings contribution	-	-	(.9)	1.8	(2.2)
Total Technical Services Group					
Revenue	84.6	50.5	53.4	44.5	35.9
Earnings contribution	103.1	70.3	79.6	61.5	48.6
Hydrocarbon Group:					
Engineering, research and process development, licensing and construction in the petroleum, petrochemical, cryogenic and metallurgical fields					
Revenue	6.1	6.6	4.8	2.8	9.5
Earnings contribution	(14.7)	(12.2)	(10.2)	(15.8)	2.9
Discontinued Operations:					
Revenue	5.1	20.2	5.8	.6	-
Earnings contribution	6.5	7.8	(20.0)	(2.9)	-
Total Revenue and Total Earnings Contribution	100.0	100.0	100.0	100.0	100.0
Earnings and Other Costs as a Percentage of Total Revenue:					
Earnings before other costs	8.3	7.7	6.9	7.5	6.7
Other costs:					
Parent company general and administrative and group support expenses	3.9	3.4	3.4	3.3	2.7
Miscellaneous expenses	.1	.2	.6	.1	1.1
Earnings Before Income Taxes	4.3	4.1	2.9	4.1	2.9

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TABLE II

DYNALECTRON CORPORATION AND SUBSIDIARIES

BUSINESS WITHOUT AND WITHIN THE UNITED STATES

	Percent Years Ended December 31,				
	1970	1971	1972	1973	1974
Business Without the United States:					
Department of Defense					
Revenue	35	7	7	5	4
Earnings contribution	40	11	12	10	6
Commercial					
Revenue	5	6	14	15	18
Earnings contribution	(3)	1	7	5	25
Discontinued Operations					
Revenue	3	18	5	-	-
Earnings contribution	7	8	(18)	(1)	-
Revenue	43	31	26	20	22
Earnings contribution	44	20	1	14	31
Business Within the United States:					
Revenue	57	69	74	80	78
Earnings contribution	56	80	99	86	69
Total Revenue and Total Earnings Contribution	100	100	100	100	100

The percentages of revenue and earnings contribution without and within the United States are approximations since the accounting records of the Registrant are not maintained in a manner to readily provide such data.

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DYNALECTRON CORPORATION AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED EARNINGS

ITEM 2.

The following statements of consolidated earnings of Dynalectron Corporation and subsidiaries for the five years ended December 31, 1974, have been examined by Arthur Andersen & Co., independent public accountants, whose report is based in part on the report of other auditors, as set forth in such report (included elsewhere herein). Companies acquired during the period and accounted for as purchases are included since the dates of acquisition. These statements should be read in conjunction with the financial statements and notes thereto included elsewhere in this Form 10-K.

	For the years ended December 31, (Notes a, c and d)				
	1970	1971	1972	1973	1974
REVENUES (Note e):					
Technical services	$57,732,632	$41,154,583	$51,230,025	$ 47,759,056	$ 57,798,914
Electrical engineering and contracting	2,824,305	17,635,686	34,279,370	57,868,614	88,145,705
Hydrocarbon engineering and construction services	3,637,528	3,747,932	2,843,528	1,172,443	15,119,172
Royalties, commissions and sale of access rights to technology (Note f)	404,145	1,410,901	1,720,925	1,973,188	909,919
	64,598,610	65,949,102	90,073,848	108,773,301	161,973,710
COSTS AND EXPENSES (Notes g and b):					
Cost of services -					
Technical services	51,039,728	36,475,864	45,802,500	42,497,529	52,093,993
Electrical engineering and contracting	2,394,049	15,186,861	30,513,962	52,832,071	82,974,763
Hydrocarbon engineering and construction services	3,907,448	4,210,614	3,572,980	2,487,986	14,330,715
Cost of research and development (Note f)	334,916	1,079,080	1,158,379	1,371,351	186,830
Selling, general and administrative	4,411,340	4,099,301	5,126,680	5,528,151	6,395,802
	62,087,481	61,051,720	86,174,501	104,717,088	155,982,103
OTHER (INCOME) AND EXPENSE:					
Interest income	(594,686)	(532,682)	(537,757)	(469,492)	(427,090)
Interest expense	511,891	432,672	488,996	673,374	1,413,078
Expenses of acquiring a pooled company	30,887	240,927	-	-	-
Other	80,960	-	-	-	-
Gain on early retirement of convertible subordinated notes (Note i)	-	-	-	(715,142)	-
	29,052	140,917	(48,761)	(511,260)	985,988
Earnings from continuing operations before income taxes	2,482,077	2,756,465	3,948,108	4,567,473	4,705,619
PROVISION FOR INCOME TAXES (Note j)	1,170,000	1,436,000	1,991,000	2,434,000	2,482,803
Net earnings from continuing operations	1,312,077	1,320,465	1,957,108	2,133,473	2,222,816
Earnings (loss) from discontinued foreign subsidiaries' operations (Note b)	379,350	405,676	(1,212,822)	(106,204)	-
Net earnings	$ 1,691,427	$ 1,726,141	$ 744,286	$ 2,027,269	$ 2,222,816
EARNINGS PER COMMON SHARES AND COMMON EQUIVALENT SHARE (Note k):					
Net earnings from continuing operations	$ 0.26	$ 0.22	$ 0.31	$ 0.32	$ 0.34
Earnings (loss) from discontinued foreign subsidiaries' operations, including extraordinary tax credits of $0.04 in 1970 and $0.03 in 1971 (Note b)	0.07	0.07	(0.19)	(0.02)	-
Net earnings	$ 0.33	$ 0.29	$ 0.12	$ 0.30	$ 0.34

NOTE: The statements of consolidated stockholders' equity for the five years ended December 31, 1974, are included elsewhere herein.

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NOTES TO STATEMENTS OF CONSOLIDATED EARNINGS:

(a) The statements of consolidated earnings have been restated to show as a separate item the results of operations of the Registrant's discontinued foreign subsidiaries' operations (See Note (b)) and to include: (1) the acquisition of Airtech Service, Inc. on February 28, 1970, which was accounted for as a pooling-of-interests in 1969, (2) the acquisition of Griffin Construction Company on January 12, 1971, pursuant to a letter of intent executed October 30, 1970, which was also accounted for as a pooling-of-interests in 1970 and (3) the acquisition of substantially all the assets, subject to certain liabilities, of Servair Inc. on September 21, 1971, pursuant to a letter of intent executed October 31, 1970, which was accounted for as a pooling-of-interests in 1971. The earnings of Airtech and Griffin have been included in the accompanying statements of consolidated earnings for the year ended December 31, 1970, and Servair for the two years ended December 31, 1971.

(b) The Registrant sold 81% of its French operating subsidiary as of June 30, 1973, and in December 1973, the Registrant effectively disposed of its ownership in the condominium premises occupied by the operating subsidiary. In the statements of consolidated earnings, the results of these operations are shown as a separate item in determining the consolidated net earnings. Accordingly, the statements of consolidated earnings exclude from the various captions the following amounts:

	For the years ended December 31,			
	1970	1971	1972	1973
Revenues	$2,162,126	$13,945,110	$ 5,021,886	$ 642,268
Costs and expenses	1,782,776	13,512,434	6,215,708	1,060,410
Gain on sale of condominium interest in office building	-	-	-	(351,938)
Earnings (loss) before income taxes and extraordinary item	379,350	432,676	(1,193,822)	(66,204)
Foreign income tax	182,000	194,000	19,000	40,000
Earnings (loss) before extraordinary item	197,350	238,676	(1,212,822)	(106,204)
Foreign income tax reduction, resulting from loss carry-forward	182,000	167,000	-	-
Net earnings (loss)	$ 379,350	$ 405,676	$(1,212,822)	$ (106,204)

(c) The results of operations of businesses acquired in transactions accounted for as purchases have been included in the statements of consolidated earnings from the dates of acquisition. The results of operations after the date of acquisition of the company purchased in 1971 was not significant in that year in relation to the consolidated results of operations. Revenues and net earnings included in the 1970, 1972, 1973 and 1974 statements of consolidated earnings for companies purchased in the respective years were:

Year	Revenues	Net Earnings
1970	$ 1,674,633	$106,578
1972	10,188,001	348,042
1973	9,115,768	90,479
1974	11,200,974	226,137

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NOTES: (Continued)

(d) See Note 1 of notes to consolidated financial statements.

(e) See Note 1 of notes to consolidated financial statements.

As of December 31, 1970, the Registrant completed its contract with the U.S. Army for maintenance and repair of aircraft in Vietnam. Revenue and earnings contribution in 1970 (before the application of general and administrative expenses, other expenses and income taxes) from this contract were $18,065,998 and $1,792,418, respectively.

(f) Pursuant to agreements (under which the laboratory phase has expired) between the Registrant and certain major oil companies, funds were provided for research on the Registrant's H-Coal process in return for access to technology developed during the laboratory work funded by the agreements and certain rights to future royalty reductions were extended. Included in revenues is $1,224,800, $1,416,200, $1,561,000 and $119,450 of such funds earned in 1971 through 1974, respectively.

The cost of research and development in the accompanying statements of consolidated earnings does not include any allocation of unabsorbed burden or selling, general and administrative expenses. The Registrant's expenditures for research and development are charged to expense as incurred.

(g) The amounts of depreciation and amortization expense included in the statements of consolidated earnings are $606,248, $686,708, $842,590, $1,071,292 and $1,529,758 for 1970 through 1974, respectively.

(h) See Note 13 of notes to consolidated financial statements.

(i) The Registrant, in May 1973, repurchased and retired $1,925,000 of the original placement of $6,000,000 of its 6-7/8% convertible subordinated notes at a discount from face value of 40%, which resulted in a gain after income taxes and expenses associated therewith of approximately $340,000 ($0.05 per share).

(j) See Note 10 of notes to consolidated financial statements for the detail of tax expense and deferred taxes and a reconciliation of the statutory Federal tax rate (48%) to the effective rate.

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NOTES: (Continued)

(k) Earnings per share are based on the weighted average number of common shares and common equivalent shares (convertible preferred stock, stock options and contingent shares) outstanding during the respective years. The weighted average number of common shares and common equivalent shares for 1970 through 1974 were, respectively, 5,165,160; 5,970,094; 6,416,272; 6,746,577 and 6,573,088. Excluded from the 1974 computation are common equivalent shares relating to 221,754 shares of escrowed common stock (167,018 of which, though issued, have not been reflected in the balance sheets as outstanding) which, pursuant to a commitment, the Registrant expects to be required to repurchase. There is no dilution of earnings per share under the fully diluted per share computation. The Registrant did not pay any dividends from 1970 through 1973, except for a 2% stock dividend paid in 1972, which has been retroactively reflected in the computations of earnings per share. On April 22, 1974, the Registrant paid a cash dividend of $0.05 per common share and $0.50 per preferred share. See Note 7 of notes to consolidated financial statements for limitation on cash dividends.

MANAGEMENT'S ANALYSIS AND DISCUSSION OF THE STATEMENTS OF CONSOLIDATED EARNINGS

Revenue Growth and Sources

Revenue for 1974 increased to $161.7 million, up 49% over the 1973 revenues from continuing operations. Internal expansion of sales during 1974 was significant - contributing $33.8 million, or 64% of the $52.9 million in increased volume for the year. The balance of the expansion ($19.1 million) is attributable to company acquisitions, with the Fuller-Austin companies (acquired mid-1974) contributing approximately $11.2 million, and the full-year effect of revenues from acquisitions made during 1973 (effective April, May, August and October) producing $7.9 million of the 1974 increase.

The major 1974 expansion occurred in the industrial/commercial sectors of the Registrant's activities. The industrial/commercial portion of the business exceeded last year's total revenue, reaching $121.3 million (75% of the total), while revenues from Department of Defense customers held at approximately $34.6 million (21% of total sales), and the Registrant's business with other U.S. Government agencies expanded slightly to $5.8 million (4% of the total).

The expansion in industrial/commercial business during the year occurred primarily in electrical engineering and contracting, industrial insulation, ground support services to commercial aviation and in aircraft sales.

The increase in revenues from U.S. Government agencies (other than the Department of Defense) resulted from receipt of the first (engineering) phase contract for a coal liquefaction pilot plant.

With reference to growth in the prior year, 1973 compared to 1972, revenues increased $18.7 million, of which approximately $15.5 million was attributable to acquisition of new companies. The remaining increase resulted from expanded business in electrical engineering and contracting, which increase was partially offset by reduced revenues from hydrocarbon engineering and construction and technical services. The decrease in technical services revenue resulted principally from a reduction in certain Government contract activities in support of the U.S. space program and from delays in the delivery of aircraft sold in Brazil. The reduction of revenues from hydrocarbon services was attributable to the inability to activate new programs in conjunction with the U.S. Government and major energy-oriented industrial clients on a timely basis.

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Net Earnings

Net earnings in 1974 increased, but the increase was not in relationship to the increase in revenues because of (i) the effect of inflation on material and equipment costs, especially in programs involving fixed-price contracts common to much of the electrical engineering and contracting activities, (ii) the high interest costs ($.7 million over that of the preceding year) associated with higher interest rates and the requirement for a greater amount of short-term bank borrowings required to support the Registrant's expended activities, (iii) the abnormally high charge against earnings resulting from allocation of the purchase price of recent acquisitions to the acquired assets which increased the basis of certain assets, primarily current orders in process, and (iiii) accruing on an accelerated basis, rather than a straight-line basis, the incentive bonus that key personnel of acquired companies can earn. Had the bonus accrual been on a straight-line basis over the four years of the employment contracts, net earnings for 1974 would have been increased by $.6 million. This practice reduces near-term earnings, but tends to enhance the expansion of future earnings.

The 1973 net earnings included a $106,000 loss (net of a $352,000 gain arising out of the disposition of the Registrant's French condominium office premises) from discontinued foreign subsidiaries' operations. The loss was $1.1 million less than the preceding year as the result of the disposition of 81% of Hydrocarbon Engineering S. A. as of June 30. 1973 on a basis that eliminated any further loss. Net earnings for 1973 also benefited from the gain (approximately $340,000 after taxes) resulting from the Registrant's repurchase and retirement of $1,925,000 of its 6-7/8% Convertible Subordinated Notes.

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ITEM 3. PROPERTIES

To the extent that the Registrant's operations are conducted on Government bases or installations, the Registrant generally has the rent free use of Government facilities. The major owned properties are as follows:

Description	Area (approximate square feet unless otherwise indicated)	Location
Buildings (on leased land)	13,600	Kennedy and Anchorage International Airports
Land, offices and warehouses utilized by the Electrical Engineering and Contracting Group and Hydrocarbon Group:		
The Griffin Electric Company	71,000	Owensboro, Kentucky
Vegas Valley Electric, Inc.	96,000	Las Vegas, Nevada
Dynalectric Company of Nevada	2.41 acres	Reno, Nevada
Seeger Electric Co.	74,500	Los Angeles, California
A & A Electric Co., Inc.	12,500	Denver, Colorado
Gibson Electric, Inc.	43,470	Tifton, Georgia
	13,750	Pickens, South Carolina
	2.5 acres	Pickens, South Carolina
	5.0 acres	Tifton, Georgia
The State Electric Company, Limited	43,560	Windsor, Ontario, Canada
Hart Electric	69,164	Clearwater, Florida
Fuller-Austin Insulation Co.	76,288	Houston, Texas
	102,537	Sulpher, Louisiana
	3.9 acres	Sulpher, Louisiana
Fuller-Austin of Canada Limited	2.85 acres	Calgary, Alberta, Canada
AFB Contractors	3.62 acres	Martinez, California
Unimproved land	9.122 acres	Vienna, Virginia
Motel (newly constructed for sale or lease)	88 units	Jacksonville, Florida

The balance of the Registrant's major activities are conducted from premises leased from independent, unaffiliated landlords, except for (1) the laboratory at Trenton, New Jersey, which is owned by and leased (expires June 1977) from the Dynalectron Corporation Pension Trust; and (2) an office building at Fort Worth, Texas, acquired in February 1974, which is owned by and leased (expires December 1984) from the Dynalectron Corporation Pension Trust. The laboratory site consists of 3.8 acres of land and 51,700 square feet of laboratory, storage and office space. The office building site consists of 48,750 square feet of land and a three-story steel framed office building containing 18,800 square feet, parking lot and site improvements.

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The other major leased properties are as follows:

Description	Area (approximate square feet unless otherwise indicated)	Location	Date Lease Expires
Executive Offices	28,082	Washington, D. C.	December 1975
Plant*	47,000	San Leandro, California	June 1976
Office	15,124	Miami, Florida	July 1977
Office, hangar and ramp area	132,624	Miami, Florida	November 1976
Office, hangar and ramp area	588,596	Miami, Florida	December 1982
Office and warehouse	18,000	Dallas, Texas	March 1979
Office and warehouse	19,200	Vienna, Virginia	December 1976
Warehouse	5,904	Downsview, Ontario, Canada	March 1979
Office	8,000	Downsview, Ontario, Canada	May 1975
Office and warehouse	13,900	Edmonton, Alberta, Canada	March 1976
Office, hangar and ramp area	150,000	Greater Cincinnati Airport Kentucky	October 1990
Land	1.7 acres	Kennedy Airport, New York	June 1983
Land and passenger gates	47,835	Anchorage International Airport, Alaska	July 1990
Terminal	1,752	Anchorage International Airport, Alaska	June 1989
Parking	47,929	Kennedy Airport, New York	December 1976
Service Facilities	42,643	Seattle, Washington	August 1976

*Operations have been discontinued, and the Registrant is subleasing the space.

In addition to the leased real properties listed above, the Registrant leases ground handling equipment located at Kennedy Airport, New York, for a five year period ending December 1978, and approximately 55,000 square feet of office space in seven locations on a month to month basis.

ITEM 4. PARENTS AND SUBSIDIARIES

See ownership chart attached.

ITEM 5. PENDING LEGAL PROCEEDINGS

See Note 12 of notes to consolidated financial statements. Additional information regarding material legal proceedings is contained in the Registrant's Form 8-K reports filed for the months of May and June 1971, September and December 1972, October 1973 and February and December 1974, which reports are incorporated herein by reference.

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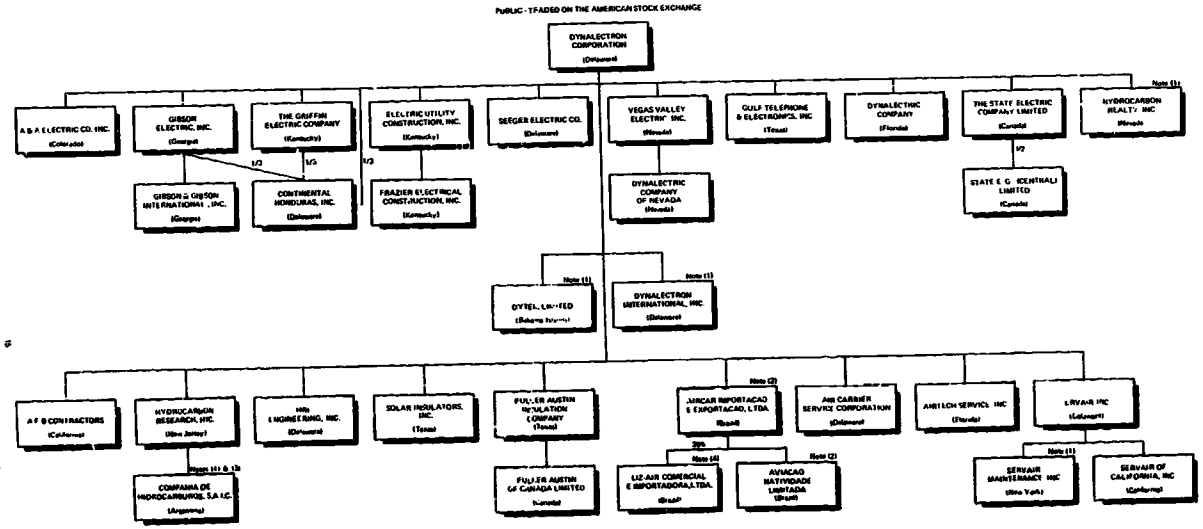

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ITEM 6. INCREASES AND DECREASES IN OUTSTANDING SECURITIES

A. During the year ending December 31, 1974, the amount of equity securities of the Registrant outstanding increased or decreased as follows:

Title of class: Common Stock

	Number of shares (a)
Balance outstanding or in treasury, December 31, 1973 - per consolidated balance sheet	6,608,921
Increase in April 1974, as additional consideration in connection with an earn-out provision of an acquired subsidiary (b)	41,000
Increase in December 1974, under employee incentive arrangement based on earnings (c)	9,000
Increase in December 1974, in payment of acquisition expense (d)	10,000
Balance outstanding or in treasury, December 31, 1974 - per consolidated balance sheet	6,668,921

(a) Excluded from the number of shares outstanding at December 31, 1973 and 1974, are 167,018 and 279,518 shares, respectively, which have been issued into escrow.

(b) A description of this transaction is contained in the Registrant's Form 10-Q for the six months ended June 27, 1974, which is incorporated herein by reference.

(c) In connection with the acquisition by Registrant of Gibson Electric, Inc., its key officers and employees were entitled to receive up to 9,000 shares of Registrant's common stock under an employee incentive arrangement based upon the earnings of Gibson Electric, Inc. for the 34 months ended December 31, 1974. All the shares have been earned and accordingly, they are considered outstanding but were not issued at December 31, 1974.

(d) Mr. William S. Griffin was entitled to receive up to 10,000 shares of Registrant's common stock as consideration for his assistance in connection with the Registrant's acquisition of Gibson Electric, Inc. and the subsequent monitoring of its activities. The amount of consideration was contingent upon the earnings of Gibson Electric, Inc., for the 34 months ended December 31, 1974. All the shares have been earned and accordingly, they are considered outstanding but were not issued at December 31, 1974.

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Title of class: 6-7/8% Convertible Subordinated Notes (a) $4,075,000

(a) Under date of October 15, 1968, the Registrant entered into a note agreement which provided for the private issuance of $6,000,000 of convertible subordinated notes. The remaining notes outstanding at December 31, 1974, which are not registered under the Securities Act of 1933, are convertible in their principal amount into common stock of the Registrant at any time prior to maturity at $14.37 per share (subject to adjustments under antidilution provisions of the related Note Agreement). The Registrant has reserved for issuance, as of December 31, 1974, 283,577 shares of its common stock for this purpose.

Title of class: Preferred Stock, Series A and B (a)

	Number of Shares	
	Series A	Series B(b)
Balance outstanding December 31, 1973 and 1974 - per consolidated balance sheet	1,625	750

(a) See Note 8 of notes to consolidated financial statements.

(b) Excluded from the number of shares outstanding at December 31, 1974 are 6,150 shares which have been issued into escrow.

Title of class: 8-1/4% Convertible Debentures

Principal balance outstanding, December 31, 1973	$ -
Issued in July 1974, in connection with the acquisition of the Fuller Companies (a)	1,524,099
Principal balance outstanding, December 31, 1974	$1,524,099

(a) See Note 2 of notes to consolidated financial statements. Complete details of this transaction are contained in Registrant's Form 10-Q for the nine months ended September 1974, which is incorporated herein by reference.

B. During the year ended December 31, 1974, the Registrant sold or issued the following securities (in addition to those contained in Item 6A above) which were not registered under the Securities Act of 1933, in reliance upon an exemption from registration provided by Section 4(2) of the Act.

1. 8-1/4% Senior Promissory Note - $2,000,000 - Information called for in Item 6.(b)(1-6) is contained in Item C of Registrant's Form 10-Q for the six months ended June 27, 1974, which is incorporated herein by reference.

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2. Warranty Retention Agreement - $304,820 - In connection with the July 1974 acquisition of Fuller-Austin Insulation Company and Solar Insulators, Inc., described in Note (2) of the notes to the consolidated financial statements, Registrant retained $304,820 of the purchase price as security to protect Registrant with respect to certain representations and warranties made by the former stockholders of the Fuller Companies, including a guarantee of certain average annual earnings. Said retention shall be destributed to the former stockholders or returned to the Registrant, as the case may be, dependent upon the validity of said stockholders representations, warranties and guarantees. Information called for in Item 6.(b)(1-6) is contained in Item 7 of Registrant's Form 8-K supplemental for the month of July 1974, which is incorporated herein by reference.

ITEM 7. APPROXIMATE NUMBER OF EQUITY SECURITY HOLDERS

Title of Class	Approximate number of record holders at December 31, 1974
Common Stock	14,864*
6-7/8% Convertible Subordinated Notes	9
Preferred Stock, Series A	5
Preferred Stock, Series B	11
8-1/4% Convertible Debentures	8

*Based upon broker requests for stockholder information, there are approximately 22,000 actual owners of the Registrant's common stock.

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ITEM 8. EXECUTIVE OFFICERS OF THE REGISTRANT

Name	Age	Office Held
Jorge Carnicero	53	Chairman of the Board*
C. G. Gulledge	55	President & Chief Executive Officer*
M. F. Richards	54	Executive Vice President*
J. P. Schelling	50	Vice President and General Counsel
D. R. Bannister	44	Group Vice President, Technical Services Grou
G. W. W. Ewald	39	Group Vice President, Electrical Engineering and Consulting Group
E. W. Holdgraf	50	Group Vice President, Hydrocarbon Group
F. J. Del Rocco	41	Vice President, Industrial Relations
J. H. Tardy	44	Vice President, Administration
E. M. Constable	56	Vice President, Finance
D. L. Reichardt	32	Secretary and Assistant General Counsel
J. A. Stuart	49	Treasurer

Officers of the Registrant are elected annually by the Board of Directors.

The Registrant knows of no family relationships between any of the above.

*Member, Board of Directors and Executive Committee of the Board of Directors.

Summary of Positions and Experience -

Mr. Carnicero has served as Chairman of the Board since 1955.

Mr. Gulledge has served as President since 1960 and was elected Chief Executive Officer in May 1974.

Mr. Richards was elected to his present position in May 1974, having served as Senior Vice President since 1972; prior thereto he served 13 years as Vice President, Finance.

Mr. Schelling has served as Vice President and General Counsel since 1961.

Mr. Bannister was elected to his present position in September 1972, and for six years prior thereto was Vice President and Director of Division Operations.

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Mr. Ewalt has been an officer of the Registrant since 1966. In the last six years, he has served in two positions as an Assistant Vice President: (1) Manager, Missile Range Space Program (December 1967 to October 1970) and (2) Director of Marketing (October 1970 to September 1971); and in two positions as a Vice President in charge of (1) Facilities Management from September 1971 to January 1973, and (2) the Electrical Engineering and Contracting Group from January 1973 to September 1973, at which time he was elected to his present position.

Mr. Holdgraf was employed in August 1972, as Director of the Hydrocarbon Group and was elected to his present position in September 1972. Prior to joining the Registrant, he had extensive corporate level management experience directing engineering programs, process design and operations in the chemical and petrochemical fields. Most recently he was Vice President and Engineering Manager of Stone & Webster Engineering Corporation's Process Industries Group, with responsibility over U.S. and foreign operations.

Mr. Del Rocco was elected Vice President to serve in his present position in September 1974, having served as Director of Corporate Industrial Relations since June 1974, and prior thereto served six years as Manager, Industrial Relations of the Registrant's Land-Air Division.

Mr. Tardy was employed by the Registrant in October 1971, as Assistant to the Vice President, Finance; was elected Vice President and placed in charge of Management Information in December 1971; was reassigned as Vice President, Finance in December 1973 and as Vice President, Administration in March 1975. From 1958 to 1971, he was employed by Arthur Andersen & Co. progressing to the position of Manager-Administrative Services Staff in the Washington, D. C. area.

Mr. Constable joined the Registrant as Vice President, Corporate Development in February 1973, responsible primarily for the Registrant's acquisition program and was reassigned as Vice President, Finance in March 1975. Prior to joining the Registrant, he served as Vice President, Corporate Development with Fairchild Industries, and before that as President of Lockheed Aircraft International and Aviquipo, Inc. from 1964 until January 1972.

Mr. Reichardt was employed as a staff attorney in April 1970, and was elected to his present positions in December 1972. Prior to his employment by the Registrant, Mr. Reichardt, for approximately two years, was Assistant Counsel for the Defense Supply Agency in Washington, D. C.

Mr. Stuart was elected to his present position in December 1971 and prior thereto served eight years as Assistant Treasurer.

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ITEM 9. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Reference is made to the Registrant's By-Laws attached as Exhibit D hereto specifically Article 25 thereof which is incorporated herein by reference.

ITEM 10. FINANCIAL STATEMENTS AND EXHIBITS

See Page 22.

ITEMS 11 THROUGH 15.

With the exception of a portion of Item 12 which is presented below, these items are omitted as this information is included in the Registrant's proxy statement to be filed on or before April 30, 1975.

ITEM 12. (Information not included in Registrant's proxy statement to be filed on or before April 30, 1975.)

There are no known family relationships between any of Registrant's directors or between any of its directors or executive officers.

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ITEM 10. FINANCIAL STATEMENTS AND EXHIBITS

(a) Index of financial statements and related data:

Reports of independent public accountants

Financial statements -
Consolidated balance sheets as of December 31, 1973, and December 31, 1974
Statements of consolidated earnings for the five years ended December 31, 1974 (Item 2, page 8)
Statements of consolidated stockholders' equity for the five years ended December 31, 1974
Statements of consolidated changes in financial position for the five years ended December 31, 1974

Schedules -
II - Amounts receivable from underwriters, promoters, directors, officers, employees, and principal holders (other than affiliates) of equity securities of the person and its affiliates
V - Property and equipment
VI - Accumulated depreciation and amortization
VII - Intangible assets
XII - Reserves
XVI - Supplementary income statement information

Separate financial statements of the Registrant have been omitted since the Registrant is primarily an operating company and all subsidiaries included in the consolidated financial statements are wholly owned and the long-term debt of the subsidiaries not guaranteed by the Registrant is not material in relation to the total consolidated assets.

Schedules not filed and the reason for their omission are as follows:

Not required - Schedules I, III, IV, VIII, X and XIX
Not applicable - Schedules XI, XIV, XV, XVII and XVIII
Information required is contained in the financial statements or notes thereto - Schedules IX and XIII

(b) Exhibits: (See notes on page 23)

Exhibit A - Contract No. DAAD07-69-C-0032 - Modifications 74 through 76 (Original contract and modifications 1 through 73 previously filed with Registrant's Form 10-K) Department of the Army Purchasing and Contracting Directorate White Sands Missile Range New Mexico

Exhibit B - Computations of Earnings Per Share

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Exhibit C - Certificate of Incorporation as amended to date, consisting of (1) Composite Certificate of Incorporation as amended and as in effect on October 17, 1968; (2) Certificate of Amendment adopted May 20, 1970; (3) Certificate of Amendment adopted February 27, 1973; (4) Certificate of Amendment adopted September 13, 1973; and (5) Certificate of Amendment adopted January 7, 1975.

Exhibit D - Registrant's By-Laws, as amended to date.

Exhibit E - Specimens of Registrant's Common Stock, $.10 par value (1) One Hundred Share Certificate, (2) Less-Than-One Hundred Share Certificate and (3) Unlimited Share Certificate.

Exhibit F - Specimen of Registrant's Preferred Stock, Series A, $.10 par value - Unlimited Share Certificate

Exhibit G - Specimen of Registrant's Preferred Stock, Series B, $.10 par value - Unlimited Share Certificate

Exhibit H - Specimen of Registrant's 8-1/4% Convertible Debenture

NOTES TO EXHIBITS:

1) Form 10-K for 1970 and prior years included Government contracts as exhibits because the majority of the Registrant's revenue in those periods was derived therefrom. For the years 1971 through 1974 the Registrant's business base expanded (principally through acquisitions) into the commercial area bringing the percent of revenue from Government contracts down to 37% in 1974. New contracts are not submitted as exhibits to the 1974 10-K because the Registrant's business is not now substantially dependent upon one or any group of contracts and there are no contracts of such materiality as to call for specific reference in Items 1, 3 or 9.

2) Exhibit C - Item (1) and (2) are incorporated herein by reference to Amendment No. 1 to the Registrant's Form 10-K for 1970 filed under cover of Form 8 and dated April 23, 1971. Item (3) is incorporated herein by reference to the Registrant's Form 10-K for 1972 dated March 31, 1973. Item (4) is incorporated herein by reference to the Registrant's Form 10-K for 1973 dated March 31, 1974.

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3) Exhibit E - Items (1) and (2) are incorporated herein by reference to Amendment No. 1 to the Registrant's Form 10-K for 1970 filed under cover of Form 8 and dated April 23, 1971. Item (3) is incorporated herein by reference to the Registrant's Form 10-K for 1971 dated March 30, 1972.

4) Exhibit F is incorporated herein by reference to the Registrant's Form 10-K for 1972 dated March 31, 1973.

5) Exhibit G is incorporated herein by reference to the Registrant's Form 10-K for 1973 dated March 31, 1974.

SIGNATURE

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

DYNALECTRON CORPORATION

Date: March 31, 1975

By: /s/ E. M. Constable
E. M. Constable
Vice President, Finance

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Dynalectron Corporation:

We have examined the consolidated balance sheets of Dynalectron Corporation (a Delaware corporation) and subsidiaries as of December 31, 1973, and December 31, 1974, and the related statements of consolidated earnings (included elsewhere herein), stockholders' equity and changes in financial position for the five years ended December 31, 1974, and the supporting schedules listed in the accompanying index (Item 16(b)). Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of Liberia Refining Company, in which the investment and advances represent 7% in 1973 and 6% in 1974 of the total consolidated assets of Dynalectron Corporation. These statements were examined by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for Liberia Refining Company, is based solely upon the report of the other auditors.

In our opinion, based upon our examination and the report of other auditors referred to above, the accompanying consolidated financial statements present fairly the financial position of Dynalectron Corporation and subsidiaries as of December 31, 1973, and December 31, 1974, the results of their operations and the changes in their financial position for the five years ended December 31, 1974, and the supporting schedules present fairly the information required to be set forth therein, all in conformity with generally accepted accounting principles consistently applied during the periods.

Washington, D. C.

February 24, 1975.

ARTHUR ANDERSEN & CO.

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COOPERS & LYBRAND

To the Board of Directors
Liberia Refining Company

We have examined the balance sheet of Liberia Refining Company as at November 30, 1974 and the related statements of income and accumulated losses and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such other auditing procedures as we considered necessary in the circumstances. We also made a similar examination of the financial statements for the year ended November 30, 1973.

In our opinion, the aforementioned financial statements present fairly the financial position of Liberia Refining Company as at November 30, 1974 and 1973 and the results of its operations and changes in its financial position for the year then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

COOPERS & LYBRAND
Chartered Accountants

Monrovia, Liberia
January 6, 1975

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DYNALECTRON CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 1973 AND 1974

A S S E T S

	1973	1974
CURRENT ASSETS:		
Cash, including marketable securities of $300.600 in 1973	$ 1,994,413	$ 2,470,952
Notes and current portion of long-term receivables	1,487,739	2,334,215
Accounts receivable (Note 3) -		
Due from U.S. Government	4,430,787	3,981,999
Trade and other	20,156,664	28,750,926
Allowances for doubtful accounts (Schedule XII)	(454,049)	(595,902)
Contracts in process (Notes 1 and 3)	4,428,768	5,128,079
Inventories of purchased products and supplies, at lower of cost (first-in, first-out) or market	5,039,161	6,492,795
Prepaid expenses	491,324	629,345
Total current assets	37,574,807	49,192,409
LONG-TERM RECEIVABLES:		
Stockholders and officers (Note 3 and Schedule II)	235,500	130,250
Other, due on various dates through 1984, less current portion included above and allowances for possible nonrecovery of $216,712 in 1973 and $151,656 in 1974 (Schedule XII)	766,304	1,067,617
PROPERTY AND EQUIPMENT, at cost (Note 1 and Schedule V):		
Land	676,004	1,061,383
Buildings and leasehold improvements	2,066,760	3,141,131
Machinery and equipment	5,761,902	8,408,368
	8,504,666	12,610,882
Accumulated depreciation and amortization (Schedule VI)	(3,097,022)	(4,155,205)
Net property and equipment	5,407,644	8,455,677
INVESTMENT IN AND ADVANCES TO LIBERIA REFINING COMPANY (Note 4)	3,440,699	3,459,449
PATENTS AND PROCESSES OF HYDROCARBON RESEARCH, INC. (Note 12)	1	1
INTANGIBLE ASSETS (primarily cost in excess of net tangible assets of businesses acquired), at cost less accumulated amortization of $151,301 in 1973 and $266,279 in 1974 (Note 1 and Schedule VII)	2,003,030	3,182,579
OTHER ASSETS (including net deferred tax charges of $541,000 in 1974)	757,243	2,187,649
	$50,185,288	$67,645,621

The accompanying notes are an integral part of these balance sheets.

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DYNALECTRON CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 1973 AND 1974

LIABILITIES AND STOCKHOLDERS' EQUITY

	1973	1974
CURRENT LIABILITIES:		
Notes payable and current portion of long-term debt (Notes 5 and 7)	$ 700,854	$ 6,503,646
Accounts payable	5,807,784	7,49[illegible],180
Advances on contracts in process (Note 1)	3,108,859	4,165,948
Accrued income taxes, including deferred income taxes of $1,840,000 in 1973 and $2,872,000 in 1974 (Note 10)	2,788,063	4,245,615
Accrued expenses -		
Salaries and wages	2,671,775	3,489,998
Other (Note 6)	2,558,708	3,164,230
Total current liabilities	17,636,043	29,061,617
LONG-TERM DEBT (Note 7):		
8-1/4% senior promissory notes (net of unamortized discount of $95,892 in 1973 and $115,284 in 1974)	5,904,108	7,884,716
6-7/8% convertible subordinated notes (net of unamortized discount of $36,580 in 1973 and $33,026 in 1974)	4,038,420	4,041,974
Other long-term debt, less portion due within one year	896,204	1,755,137
Total long-term debt	10,838,732	13,681,827
OTHER LIABILITIES AND DEFERRED CREDITS	744,243	2,025,847
Total liabilities	29,219,018	44,769,291
COMMITMENTS, CONTINGENCIES AND LITIGATION (Note 12)		
STOCKHOLDERS' EQUITY:		
Capital stock -		
Preferred stock, par value ten cents per share, authorized 1,000,000 shares; outstanding 2,375 shares (Notes 2 and 8)	1[illegible],000	[illegible]90,000
Common stock, par value ten cents per share, authorized 10,000,000 shares; outstanding or in treasury 6,606,921 shares in 1973 and 6,668,921 shares in 1974 (Note 9)	660,892	666,892
Paid-in surplus (Note 9)	12,667,129	12,827,954
Retained earnings (Note 7)	7,774,133	9,664,229
Common stock held in treasury at cost; 84,699 shares in 1973 and 120,372 shares in 1974	(325,884)	(472,735)
Total stockholders' equity	20,966,270	22,876,340
	$50,185,288	$67,645,631

The accompanying notes are an integral part of these balance sheets.

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DYNALECTRON CORPORATION AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED STOCKHOLDERS' EQUITY

FOR THE FIVE YEARS ENDED DECEMBER 31, 1974

	Preferred Stock	Common Stock	Paid-in Surplus	Retained Earnings	Treasury Stock
Balance, December 31, 1969, as restated	$ -	$483,089	$ 6,818,631	$2,409,886	$ -
Adjustment to recognize net income of Servair Inc. applicable to the three-month period ended March 31, 1970				(37,601)	
Balance, December 31, 1969, as adjusted	-	483,089	6,818,631	2,372,285	-
Adjustments applicable to pooling-of-interests		(46)	(8,354)		
Common Stock issued in connection with the exercise of stock options		6,550	207,151		
Common Stock issued in connection with businesses acquired as purchases		74,422	2,196,792		
Common Stock issued in payment of acquisition expenses		299	(53,320)		
Net earnings				1,691,427	
Balance December 31, 1970, as restated	-	564,314	9,160,900	4,063,712	-
Common Stock issued in connection with the exercise of stock options		165	10,174		
Common Stock issued under employment agreement		237	7,231		
Common Stock issued in payment of acquisition expenses		60	4,915		
Sale of Common Stock		5,116	270,001		
Purchase of Common Stock for treasury					(56,170)
Net earnings				1,726,141	
Balance, December 31, 1971	-	569,892	9,453,221	5,789,853	(56,170)
Common Stock issued in connection with businesses acquired as purchases		44,230	1,782,847		
Common Stock issued in connection with 2% stock dividend (at quoted market)		11,377	774,334	(787,275)	
Common Stock issued under employment agreement		241	6,618		
Common Stock issued in payment of acquisition expenses		62	4,968		
Net earnings				744,286	
Balance, December 31, 1972	-	625,802	12,021,988	5,746,864	(56,170)
Preferred Stock issued in connection with businesses acquired as purchases	190,000				
Common Stock issued as additional consideration in connection with earn-out provisions of subsidiaries acquired		33,406	615,981		
Common Stock issued under employee incentive arrangement based on earnings		1,442	25,590		
Common Stock issued under employment agreement		242	3,570		
Purchase of Common Stock for treasury					(269,714)
Net earnings				2,027,269	
Balance, December 31, 1973	190,000	660,892	12,667,129	7,774,133	(325,884)
Common Stock issued as additional consideration in connection with earn-out provisions of an acquired subsidiary		4,100	137,350		
Common Stock issued under employee incentive arrangement based on earnings		900	6,975		
Common Stock issued in payment of acquisition expenses		1,000	16,500		
Common Stock returned under warranty provisions of acquisition agreements					(26,606)
Purchase of Common Stock for treasury					(120,245)
Cash Dividends (Note 9)				(332,720)	
Net earnings				2,222,816	
Balance, December 31, 1974	$190,000	$666,892	$12,827,954	$9,664,229	$(472,735)

The accompanying notes are an integral part of these statements.

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DYNALECTRON CORPORATION AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED CHANGES IN FINANCIAL POSITION

	For the years ended December 31,				
	1970	1971	1972	1973	1974
SOURCE OF WORKING CAPITAL:					
Net earnings	$ 1,691,427	$ 1,726,141	$ 744,286	$ 2,027,269	$ 2,222,816
Items not requiring (providing) working capital -					
Depreciation and amortization of property and equipment	600,060	659,894	786,714	990,821	1,406,172
Deferred income taxes (noncurrent portion), net	100,900	100,000	(21,000)	251,000	(871,000)
Deferred compensation	-	-	-	136,816	1,711,442
Other	93,293	41,704	70,766	92,794	213,169
Working capital provided from operations	2,484,780	2,527,739	1,580,766	3,498,700	4,682,599
Issuance of 8-1/4% senior promissory notes (Note 7)	-	-	-	5,904,108	1,970,119
Issuance of long-term notes for acquisitions (Notes 2 and 7)	-	-	-	774,075	1,092,271
Issuance of stock under earn-out arrangements	-	-	-	676,419	166,825
Issuance of stock for acquisitions	2,271,214	-	1,827,077	190,000	-
Proceeds from stock options exercised	213,701	10,339	-	-	-
Proceeds from sale of Common Stock, net	-	275,117	-	-	-
Disposals of property and equipment	55,340	469,757	51,145	1,126,952	389,811
Total Sources	5,025,035	3,282,952	3,458,988	12,170,254	8,301,625
APPLICATION OF WORKING CAPITAL:					
Repurchase of 6-7/8% convertible subordinated notes (Note 7)	-	-	-	1,925,000	-
Investment in property and equipment	647,225	926,754	1,024,372	2,317,379	3,718,374
Increase in investment in and noncurrent advances to Liberia Refining Company (Note 4)	33,696	314,650	149,633	316,273	18,750
Increase (decrease) in long-term receivables	575,440	(149,802)	(430,252)	(28,295)	196,003
Noncurrent assets and liabilities of companies purchased on dates of acquisition -					
Property and equipment	604,747	5,724	507,238	851,852	1,233,603
Long-term obligations	(164,200)	-	(150,754)	(218,356)	(191,749)
Other	-	40,100	37,845	93,260	74,790
Other changes in long-term debt and other liabilities and deferred credits	408,001	972,170	300,659	580,348	543,752
Increase in cost in excess of net tangible assets of businesses acquired	521,476	71,053	580,192	915,542	1,250,479
Purchase of treasury stock	-	56,170	-	269,714	120,245
Purchase of investment property	-	-	-	-	623,016
Cash dividends	-	-	-	-	352,720
Other	(20,166)	384,437	(139,032)	(173,013)	189,614
Total Applications	2,606,219	2,621,256	1,879,901	6,849,704	8,109,597
INCREASE IN WORKING CAPITAL	2,418,816	661,696	1,579,087	5,320,550	192,028
Working capital, beginning of year	9,958,615	12,377,431	13,039,127	14,618,214	19,938,764
WORKING CAPITAL, END OF YEAR	$12,377,431	$13,039,127	$14,618,214	$19,938,764	$20,130,792
CHANGES IN WORKING CAPITAL:					
Increase (decrease) in current assets -					
Cash and marketable securities	$ 1,262,072	$(2,096,226)	$ 848,126	$(1,446,521)	$ 476,939
Notes and current portion of long-term receivables	(54,037)	414,422	316,851	(157,889)	846,476
Accounts receivable	1,494,101	(239,683)	6,895,492	6,383,273	8,003,621
Contracts in process	946,842	14,797,076	(14,534,781)	1,032,448	699,711
Inventories	840,999	49,512	34,395	5,680,609	1,453,[illegible]
Prepaid expenses	2,353	(28,614)	46,736	100,690	138,021
Total	4,492,330	12,842,487	(6,393,182)	9,592,309	11,617,602
Increase (decrease) in current liabilities -					
Notes payable and current portion of long-term debt	223,460	1,503,722	(1,258,049)	(119,668)	5,802,792
Accounts payable	535,925	9,852,568	(7,687,709)	1,859,137	1,684,396
Advances on contracts in process	95,301	(64,353)	190,620	1,944,508	1,057,089
Accrued income taxes	1,224,736	(101,455)	983,783	399,813	1,457,552
Accrued expenses	(5,908)	990,309	(200,914)	187,669	1,423,745
Total	2,073,514	12,180,791	(7,972,269)	4,271,459	11,425,574
INCREASE IN WORKING CAPITAL	$ 2,418,816	$ 661,696	$ 1,579,087	$ 5,320,550	$ 192,028

The accompanying notes are an integral part of these statements.

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DYNALECTRON CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) SUMMARY OF ACCOUNTING POLICIES

Principles of Consolidation - The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. All significant intercompany accounts and transactions have been eliminated.

Translation of Foreign Currencies - Foreign currency accounts have been translated to United States dollars as follows: assets (other than net fixed assets) and liabilities at the rates of exchange at the respective year ends; net fixed assets at the rates of exchange prevailing at the time of their acquisition; and income and expenses at the rates prevailing from month to month during the year, except for provision for depreciation. Translation gains and losses are recognized in the year of occurrence, except that any net gain on noncurrent maturities of long-term liabilities is deferred. The Company recorded net translation gains (losses) of $10,342, $78,932, ($1,364), ($64,556) and ($60,036) in 1970 through 1974, respectively.

Property and Equipment - The Company generally computes depreciation and amortization on a straight-line basis over the estimated service life for property and equipment. Estimates currently used, by type of property, are:

Type of Property	Estimated Life
Buildings	15-33 years
Machinery and equipment	2-15 years
Leasehold improvements	Term of lease

Cost of property and equipment sold or retired and the related reserves for depreciation are removed from the accounts in the year of disposal, and any gains or losses are reflected in the statement of consolidated earnings. Expenditures for maintenance and repairs are charged to expense as incurred, and additions and betterments are capitalized.

Cost in Excess of Net Tangible Assets of Businesses Acquired - The Company generally amortizes the cost in excess of net tangible assets of businesses acquired on a straight-line basis over a 40-year period. Amortization of $6,188, $13,190, $44,435, $69,133 and $112,645 was recorded in 1970 through 1974, respectively.

Accounting for Joint Ventures - The Company generally uses the equity method of accounting with respect to its joint venture activities with other companies.

Contract Accounting - Contracts in process are stated at actual cost plus accrued profits or at net estimated realizable value (whichever is lower) reduced by billings for progress payments. The Company records income from major construction and engineering contracts, which may extend over several years, using a labor-based percentage-of-completion method.

Proceeds from claims against customers, as well as adjustments arising out of construction and engineering contracts, are recorded at the time collectibility becomes reasonably assured.

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Income Taxes - The Company and its domestic subsidiaries file a consolidated Federal income tax return. Deferred income taxes arise from timing differences between the book and tax recognition of certain income and expense items. The Company uses the flow-through method of accounting for investment credits. Accordingly, the provision for income taxes in the accompanying Statements of Consolidated Earnings has been reduced by approximately $22,500 and $83,300 in 1973 and 1974, respectively. Prior to 1973 the amounts of investment credits had not been significant.

(2) ACQUISITIONS

In July 1974, the Company purchased all of the outstanding stock of Fuller-Austin Insulation Company, including its wholly-owned subsidiary Fuller-Austin of Canada Ltd., and Solar Insulators, Inc. (Fuller Companies), industrial insulation contracting firms, for $1,524,099 of 8-1/4% Convertible Debentures, $711,246 in cash and a note for $304,820 representing retention by the Company until June 30, 1976, to secure against undisclosed liabilities and breach of certain representations and warranties, including a guaranteed average earnings level. The Convertible Debentures are convertible into common stock of the Company at a conversion price of $8.00 per share.

Concurrent with the acquisition, the Company entered into employment agreements with certain of the former stockholders of the Fuller Companies and established for them an incentive bonus plan under which up to $2,700,000 may be paid to the participants (of which $1,452,000 has been accrued), depending on the annual average combined net income of the Fuller Companies for the period February 1, 1974 to December 31, 1977, and as consideration for covenants not to compete for a stipulated period of time. The Company may, at its option, pay in whole or in part any amounts due under the plan in its common stock, based on the 20-day average market price immediately preceding the distribution date.

The Fuller Companies followed the completed contract method of accounting prior to their acquisition by the Company. At the time of acquisition, their accounts were adjusted to a percentage-of-completion basis of accounting and have been included in the accompanying financial statements since the date of acquisition after giving effect to this change in accounting method. Revenues and net earnings for the six months ended December 31, 1974, included in the accompanying Statement of Consolidated Earnings were $11,201,000 and $2[illegible],000, respectively. Information necessary to adjust results of operations of the Fuller Companies prior to the acquisition date on a percentage-of-completion basis is not available, and accordingly, the Company's operating results for 1973 and 1974 have not been adjusted on a pro forma basis to reflect the acquisition as though it had occurred at the beginning of 1973. Revenues from continuing operations, net earnings from continuing operations, net earnings and earnings per share, adjusted on an unaudited pro forma basis to include data for companies purchased during 1973 as though the companies had been acquired at the beginning of 1973 are as follows:

	1973 (In Thousands)
Revenues from continuing [illegible]	$113,896
Net earnings from continuing operations	$ 2,275
Net earnings	$ 2,169
Earnings per common share and common equivalent share:	
Net earnings from continuing operations	$ 0.34
Loss from discontinued [illegible] and [illegible] operations	(0.02)
Net earnings	$ 0.32

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In January 1975, the Company purchased all of the outstanding stock of AFB Contractors (AFB), an engineering and construction firm specializing in chemical, petroleum, food processing and water treatment activities. Concurrent with the closing, 31,250 shares of Series "B" convertible preferred stock were issued into escrow representing the maximum contingent consideration to be paid for AFB. These shares will be held in escrow for a period of three years and nine months from the date of closing to secure the Company against undisclosed liabilities and breach of certain representations and warranties, including maintenance of a specified average annual earnings level for the three years ending December 31, 1976.

The Company has established an incentive stock bonus plan for key employees of AFB whereby up to 31,250 additional shares of Series "B" convertible preferred stock could be issued to plan participants depending on the level of earnings in excess of a stipulated amount over the three-year period ending December 31, 1979.

The shares of the Company's preferred stock which may ultimately be released from escrow as consideration for the outstanding stock of AFB will be accounted for at the liquidation preference value of $80 per share at such time as the contingencies regarding their release are determinable beyond reasonable doubt.

The preferred stock which may be required to be issued pursuant to the incentive stock bonus plan will also be accounted for at $80 per share at the time it becomes issuable to plan participants. The accounts of AFB are not included in the accompanying financial statements.

(3) RECEIVABLES AND CONTRACTS IN PROCESS

Accounts receivable includes contractual retentions of $3,738,000 in 1973 and $6,297,000 in 1974. Approximately $1,192,000 and $940,000 of the retentions due at December 31, 1973 and 1974, respectively, were expected to be collected after one year.

Included in contracts in process at December 31, 1974, are amounts aggregating approximately $1,926,000 relating to the following:

-overhead and other indirect costs incurred in excess of amounts billable under provisional rates on Government contracts, which amounts cannot be billed until audits by Government agencies have been completed;

-accrued award fees on Government contracts recorded at estimated amounts;

-accrued royalties which cannot be billed until conditions, principally passage of time, have been met, and

-an amount relating to a contract which is currently under arbitration (see Note 11).

Based on information currently available, it appears that approximately 16% of the aggregate amount may not be collected within one year.

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Included in long-term receivables at December 31, 1974, are two notes due from former owners of acquired subsidiaries. One of these notes is for $210,500 ($105,250 included in the current portion of long-term receivables) and is due in equal amounts in July 1975 and January 1977 with interest at 9%. This loan is collateralized by 98,680 shares of the Company's common stock, which were issued to the former owner in connection with the acquisition of the subsidiary. The other note is for $25,000 and is due in November 1979 with interest at 8%.

(4) LIBERIA REFINING COMPANY

Liberia Refining Company (LRC) has an exclusive right, granted by the Liberian Government, to operate an oil refinery located in Liberia. At the end of 1993, the ownership of the refinery reverts to the Liberian Government. At December 31, 1974, the Company had unrestricted ownership of 18% of LRC stock and, in addition thereto, 12% is in escrow for distribution to Liberian nationals and a nonprofit Liberian organization. The Company has a contractual interest (carried at zero book value) to share in the proceeds from the escrow.

At December 31, 1974, the Company's investment in and advances to (accounted for on a cost basis) plus guarantees in support of LRC was $4,886,863. Approximately $1,120,000 is in the form of guarantees of credit for LRC and the balance of $3,766,863 ($307,414 payable in 1975) includes the unamortized amount of the Company's investment, a 10-1/4% demand note for $269,419 and a 7.81% note for $2,535,299 due in semi-annual installments commencing April 1, 1975. The 7.81% note, which is secured by a first mortgage on the refinery, resulted from a refinancing in 1974 of cash loans as well as notes accepted for amounts due for interest and for a portion of services performed as prime contractor under the refinery construction contract.

The concession under which LRC operates gives the Government of Liberia jurisdiction over refinery prices and commits the Government to maintain a pricing structure which will generate profitable operations for the refinery. Since a product price adjustment procedure was established early in 1974, which provides for prospective quarterly price adjustments, operations have been profitable and the cumulative losses have been reduced.

(5) NOTES PAYABLE AND LINES OF CREDIT

Under open lines of credit with various banks, the Company may borrow up to a maximum of $10,750,000 at the banks' prime interest rates. The approximate average amount outstanding during 1973 and 1974, under the Company's open lines of credit, was $2,000,000 and $2,235,000, respectively. The monthly weighted average rate of interest paid was 8.7% in 1973 and 10.9% in 1974. The maximum borrowings outstanding at any month end during 1974 was $5,600,000. At December 31, 1974, the Company had borrowings outstanding under these open lines of credit of $4,075,000 at a weighted average interest rate of 10.4%. The Company had other short-term borrowings outstanding from banks of $115,475 at December 31, 1974.

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(6) ACCRUED EXPENSES - OTHER

The following items are included in other accrued expenses in the accompanying consolidated balance sheets:

	1973	1974
Payroll and miscellaneous taxes	$ 822,496	$1,060,678
Insurance	506,482	596,023
Employee pension plans	376,328	203,083
Interest	138,654	300,048
Other	714,748	1,004,398
	$2,558,708	$3,164,2.)

(7) LONG-TERM DEBT

On December 26, 1973, the Company entered into a Loan Agreement pursuant to which a $6,000,000 8-1/4% senior promissory note was issued at a discount to yield 8-1/2%, and on May 15, 1974, the Company exercised its option under the Loan Agreement to issue an additional $2,000,000 note under the same conditions. The Agreement provides for payments in annual installments during the period 1977 through 1988. The Company may, subject to certain restrictions, prepay the notes at prices decreasing from 106.175% of principal in 1975 to 100% in 1987.

The Company, in May 1973, repurchased and retired $1,925,000 of the original placement of $6,000,000 of its 6-7/8% convertible subordinated notes at a discount from face value of 40%, which resulted in a gain after income taxes and expenses associated therewith of approximately $340,000 (five cents per share). The remaining notes, amounting to $4,075,000, are payable $407,500 annually commencing in 1979 and the Company may, subject to certain restrictions, prepay the notes at prices decreasing from 104.73% of principal in 1975 to 100% in 1988. The notes are convertible into common stock at $14.37 per share (subject to adjustment under antidilution provisions).

The loan agreements covering the senior and subordinated notes contain, among other things, provisions regarding maintenance of working capital and limitations as to certain investments, payments of cash dividends and increases in funded debt, all as defined, and require that there be no short-term bank borrowings for a period of 45 consecutive days once every 15 months. Working capital (approximately $17,000,000 at December 31, 1974) under the most restrictive provision must be maintained at not less than $10,000,000. The amount of retained earnings unrestricted as to cash dividends was $508,573 at December 31, 1974. The Company cannot issue additional funded debt or redeemable preferred stock until the required 200% coverage of funded debt (as defined) with net tangible assets (as defined) has been restored.

At December 31, 1973 and 1974, other long-term debt, exclusive of the current portion, consisted of the following:

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	1973	1974
Notes payable issued in connection with acquisitions - payable in semi-annual principal installments:		
Installments of $185,438 with final installment due July 5, 1975, interest at 6-1/2%	$370,875	$ -
Installments of $50,400 with final installment due July 5, 1978, interest at 8-1/4%	403,200	302,400
Installments of $203,213 with final installment of $177,812 due July 1, 1977, interest at 8-1/4%	-	787,451
Payable in June 1978, contingent upon satisfaction of warranties including a guaranteed average earnings level, interest at 8-1/4%	-	304,820
Real estate mortgage loans, due in monthly installments including interest at rates from 6% to 8-1/2%, through December 1988	78,979	237,544
Capitalized equipment lease, due in monthly installments through June 1977, interest at 5%	-	110,422
Note payable to a former stockholder of a purchased subsidiary incurred prior to its acquisition by the Company, payable in quarterly installments of $6,250 plus interest at 7% through March 31, 1976	37,500	12,500
Other, interest at 7%	5,690	-
	$896,204	$1,755,137

The aggregate maturities of the long-term debt for the years subsequent to December 31, 1974, are as follows:

Due During the Year Ending December 31,	Other Long-Term Debt	8-1/4% Senior and 6-7/8% Convertible Notes	Total
1975	$1,356,962	$ -	$ 1,356,962
1976	634,196	-	634,196
1977	546,720	400,000	946,720
1978	440,091	400,000	840,091
1979	23,875	807,500	831,375
after 1979	110,255	10,467,500	10,577,755

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(8) PREFERRED STOCK

Series "A" (1,625 shares) and "B" (750 shares) preferred stock have a par value of $.10 per share and a liquidation preference value of $80 per share. In addition, the shares are convertible into the Company's common stock at a rate of ten shares of common for each share of preferred and participate in cash dividends with common shares at a rate of ten to one. The Company can require conversion of the preferred stock to common stock after two years from date of issuance if the market price of its common stock is $10 or more for a period of thirty days. Series "A" (issued April 6, 1973) is nonvoting and is redeemable in cash at the option of the holder after three years at the liquidation preference value plus 5% per annum from the date of issuance less any cash dividends received. Series "B" shares (issued September 21, 1973) have one vote per share and are also redeemable in cash at the option of the holder during a period of 210 days commencing with the beginning of the sixtieth month from date of issuance at the liquidation preference value plus 6% per annum from the date of issuance, less any cash dividends received.

The Board of Directors of the Company is authorized to provide for the issuance of series of preferred stock, for the number of shares in the series, dividend rights, liquidation rights, voting rights, sinking fund requirements and conversion or redemption rights.

(9) COMMON STOCK

At December 31, 1974, common stock was reserved as follows:

	Shares
Conversion of 6-7/8% subordinated notes at $14.37 per share	283,577
Conversion of 8-1/4% convertible debentures	190,512
Conversion of 8,525 shares of convertible preferred stock	85,250
Employee stock options	427,554
Incentive compensation plans and employment contracts, which are contingent on future earnings of acquired companies	236,500
Additional consideration, contingent on future earnings, for companies acquired (including 167,018 shares which have been issued and are being held in escrow but are not reflected as outstanding shares in the Consolidated Balance Sheets)	194,410
	1,417,803

Under the Company's stock option plans, qualified options to purchase the Company's common stock may be granted to officers and key employees at an amount not less than market value on date of grant. The options under these plans are generally exercisable two years after grant and expire five years after grant. Options exercisable at December 31, 1974, expire as follows: 1,428 shares in 1975, 3,060 shares in 1976 and 12,200 shares in 1977. Options granted in 1973 and 1974 were 184,586 shares and 96,100 shares, respectively.

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Details with respect to options issued under the plans are as follows:

	Number of Shares	Option Price Per Share	Option Price Total	Quoted Market Per Share	Quoted Market Total
Options outstanding at end of year -				(At Dates of Grant)	
1973	222,626	$2.94-$8.76	$ 888,185	$2.94-$8.76	$ 888,185
1974	297,374	1.94- 7.60	1,113,797	1.94- 7.60	1,113,797
Options which became exercisable during the year -				(At Dates Options Became Exercisable)	
1973	15,563	$5.09-$7.78	$ 99,151	$3.19-$3.75	$ 29,665
1974	12,200	3.94- 4.69	55,568	2.06- 2.56	30,132
Options which were exercised during the year -				(At Dates Options Were Exercised)	
1973	-		-		-
1974	-		-		-

Shares available for the granting of options under the plans and not granted at the beginning and end of the year were 204,928 and 130,180, respectively. No charges have been reflected in the statements of consolidated earnings with respect to these options. Upon exercise, the proceeds in excess of the $.10 par value of the shares are credited to paid-in surplus.

On February 26, 1973, the Board of Directors authorized the purchase, in the open market, of up to 250,000 shares of the Company's common stock to be held in the treasury for certain common stock obligations. The Company has purchased 105,500 shares at an average price of $3.70 through September 5, 1974, the date of the last open market purchase.

On April 22, 1974, the Company paid a cash dividend of $.05 per common share and $.50 per preferred share to shareholders of record on March 29, 1974.

(10) INCOME TAXES

Income tax expense consists of the following:

	(In Thousands) 1970	1971	1972	1973	1974
Federal - current	$ 693	$ 463	$1,225	$1,442	$1,314
- deferred	250	600	150	113	(401)
Foreign - current	131*	250*	432*	503	1,306
- deferred				8	-
State - current	96*	123*	184*	353	332
- deferred				15	(68)
	$1,170	$1,436	$1,991	$2,434	$2,483

*Represents the total of current and deferred tax expense.

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Deferred taxes, resulting from timing differences in the recognition of revenues and expenses for tax and financial statement purposes, are as follows:

	1973	1974
	(In Thousands)	
Revenues recognized on book method of accounting (primarily percentage-of-completion) but deferred on tax return	$ 104	$ 519
Deferred compensation expense not deductible on tax return until paid	-	(949)
Gain on early retirement of convertible subordinated notes, recognized on books but deferred on tax return	303	-
Warranty and contingency reserves not deductible on tax return until paid	(306)	(84)
Distributed joint venture income recognized on books in prior year	(21)	-
Excess of tax over book depreciation	33	1
Other	23	35
	$ 136	$(469)

Total tax expense in 1973 and 1974 was greater than the amount obtained by applying the U.S. Federal income tax rate of 48% to the respective income before tax amounts. The differences (in percentages) can be reconciled as follows:

	Percent of Pretax Income	
	1973	1974
Computed "expected" tax expense	48.0%	48.0%
State and local income taxes, net of Federal income tax benefit	4.1	2.9
Other, net	1.2	1.9
Actual expense	53.3%	52.8%

U.S. income taxes have not been provided on $631,000 and $1,716,000 of undistributed earnings of foreign subsidiaries included in consolidated retained earnings at December 31, 1973 and 1974, respectively, because the Company intends, at the time of a distribution, to utilize available tax credits to offset taxes otherwise payable.

(11) PENSION PLANS

The Company and its subsidiaries provide funds for pension and/or profit-sharing retirement plans covering most employees. Certain of these are union plans, the payments to which are limited by the related union contracts to fixed amounts per hours worked by covered employees. The nonunion plans generally provide that employees are eligible for retirement at age 65. The unfunded prior service costs of the nonunion plans, based on the latest available actuarial reports, exceeded the liabilities accrued in the accompanying financial statements by approximately $553,000 and are being amortized over 30 years. The approximate cost of the nonunion plans, included in costs and expenses in the accompanying statements of consolidated earnings, was as follows: 1970 - $283,000; 1971 - $332,000; 1972 - $363,000; 1973 - $349,000 and 1974 - $427,000, including amortization of prior service costs. The liability for participants' vested benefits as of December 31, 1974, was less than the net assets of the respective pension funds.

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The Pension Reform Act of 1974 requires the Company to amend its pension plans to conform with certain provisions of the Act, which will become effective in 1976. The Company believes that the effect on annual pension costs for 1976 and subsequent years resulting from this amendment will not be significant.

(12) COMMITMENTS, CONTINGENCIES AND LITIGATION

The Company remains a codefendant in suits involving wrongful death claims aggregating $31,000,000 arising out of the crash of a U.S. military aircraft in May 1970. The Company performed a regularly scheduled overhaul on the aircraft approximately 30 months prior to the crash.

The Company remains a defendant in a suit involving performance of a management contract. The suit sets forth eight counts claiming damages which range from $50,000 to $600,000 ($3,250,000 in the aggregate).

The Company's wholly-owned subsidiary, Servair of California, Inc., has been named a codefendant in a suit claiming $13,000,000 plus other damages as a result of the fire destruction of a DC-8 jet aircraft.

A suit has been brought against the Company's wholly-owned subsidiary, Hydrocarbon Research, Inc., claiming damages of $3,096,000 for alleged deficiencies in the design and construction of a hydrogen purification facility.

Arbitration proceedings have been reinstituted against the Company's wholly-owned subsidiary, Hydrocarbon Research, Inc., claiming damages of approximately $3,300,000 in connection with a contract performed over ten years ago.

A substantial part of the Company's business is with departments and agencies of the U.S. Government and is subject to the Renegotiation Act of 1951. The Company has been cleared by the Renegotiation Board through 1970.

The Company frequently extends patent indemnity commitments and performance guarantees in connection with the licensing of processes.

In the opinion of management, based in part upon opinions of counsel and insurance in force, final disposition of the matters described above will not materially adversely affect the consolidated financial position of the Company.

The Company's wholly-owned subsidiary, Hydrocarbon Research, Inc., remains a codefendant in suits aggregating $48,500,000 arising out of an explosion in December 1970, at Exxon's Bayway, New Jersey refinery. In the opinion of management, supported by opinions of counsel to the Company, there is no indication of any basis upon which liability having a material adverse effect upon the consolidated financial position of the Company could be imposed. Management anticipates, however, that the licensing of the H-Oil process may continue to be impeded until the cause of the explosion is satisfactorily explained.

A Joint Venture, in which the Company and a German firm were equal participants, completed the expansion of an oil refinery in Greece in late July 1972. The customer, contending that mechanical completion did not take place until mid-August 1972, collected as liquidated damages for late completion approximately $1,160,000 from bonds posted by the Joint Venture. Arbitration proceedings are in process in London for return of the $1,160,000 and, in addition, the Joint Venture is claiming $3,404,000 from the customer for extra work performed, additional interest arising out of various payment delays attributable to the customer, and other costs associated with the customer's

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delays plus interest on the amounts claimed. The customer has filed counterclaims totaling $7,532,000 plus interest. (The amounts in the claim and counterclaim are payable in French francs and West German marks. The amounts have been converted into U.S. dollars at December 31, 1974 exchange rates.) In the opinion of management, supported by the opinion of counsel representing the Joint Venture, the final settlement of this matter will not materially adversely affect the consolidated financial position of the Company.

Rentals for leased property and equipment included in the statements of consolidated earnings were as follows: 1970 - $879,470; 1971 - $1,013,495; 1972 - $1,232,507; 1973 - $1,244,554 and 1974 - $1,838,515. As of December 31, 1974, the Company was committed under leases having unexpired terms of one year or more expiring on various dates through 1990. The leases require annual rentals as follows:

Period	Operation and Office Facilities	Aircraft Ground Handling Equipment
1975	$ 760,293	$321,118
1976	736,033	321,118
1977	593,504	321,118
1978	505,489	321,118
1979	486,223	47,562
1980-1984	2,241,234	50,861
1985-1989	1,305,487	-
1990	58,044	-

The lease agreements, except for aircraft ground handling equipment, in addition to basic rentals, generally have renewal options and contain rent and real estate tax escalation clauses. Rental income from subleases, which is not material, has been netted against rent expense.

(13) INCENTIVE COMPENSATION PLANS

The Company and its subsidiaries have established certain incentive compensation plans of which the more significant are:

Management Incentive Compensation Plan (Management Plan) -

Under the terms of the Management Plan, the Board of Directors is authorized to establish at the beginning of each fiscal year an Incentive Compensation Reserve goal equal to 20% of the weighted combined salaries of all eligible employees or participants to include officers and assistant officers of the Company and heads of divisions and subsidiaries of the Company and key company headquarters staff personnel. The Incentive Compensation Reserve is accrued on a monthly basis in an amount equal to between five and ten percent of the Company's net earnings (as defined) during the year in excess of 12% of the Company's average capital investment, plus an additional amount equal to no more than .5% of the Company's consolidated quarterly revenues. The Management Plan is administered by a committee composed of either the Chairman of the Board of the Company and no less than two outside directors (in which case, the Chairman may not participate in the Plan) or no less than three outside directors (in which case the Chairman may be a participant). No recipient under the Management Plan may receive compensation thereunder in excess of 70% of his or her annual base salary.

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Profit Sharing Plan for Operating Divisions and subsidiaries (Profit Sharing Plan) -

Under the Profit Sharing Plan, each Group Vice President of the Company is empowered at the beginning of each fiscal year to establish a Profit Sharing Reserve goal for the fiscal year for each operating division and subsidiary of the Company equal to 12.5% of the combined salaries of all key employee participants. During the year, an amount not exceeding 5% of the net earnings (as defined) of each division and subsidiary covered by the Profit Sharing Plan is accrued and set aside for distribution at the end of each year based upon a final determination by the President of the Company that the entire or some portion of the Profit Sharing Reserve Plan shall be distributed to participants. No participant under the Profit Sharing Plan is eligible to receive compensation thereunder in an amount in excess of 50% of said participant's base salary for the year.

In addition to the above, the Company has established incentive bonus plans for officers and key employees of certain recently acquired companies. These plans provide for cash or common stock payment at a future date depending upon attainment of earnings (as defined) in excess of a stipulated amount over a specified period of time (generally three or four years).

The aggregate amount of incentive compensation expense under all plans included in the statements of consolidated earnings, is as follows:

Year	Amount
1970	$ 308,000
1971	398,425
1972	453,782
1973	787,744
1974	3,041,129

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DYNALECTRON CORPORATION AND SUBSIDIARIES

SCHEDULE II - AMOUNTS RECEIVABLE FROM UNDERWRITERS, PROMOTERS, DIRECTORS, OFFICERS, EMPLOYEES, AND PRINCIPAL HOLDERS (OTHER THAN AFFILIATES) OF EQUITY SECURITIES OF THE PERSON AND ITS AFFILIATES

FOR THE YEARS ENDED DECEMBER 31, 1973 AND 1974

Name of Debtor	Balance at Beginning of Period	Additions	Deductions: Amounts Collected	Deductions: Amounts Written Off	Balance at End of Period: Current	Balance at End of Period: Not Current
DECEMBER 31, 1973						
W. L. Trent, Jr.	$280,500	$ -	$ 60,000	$ -	$ 10,000	$210,500
J. W. Gibson	-	25,000	-	-	-	25,000
Relocation Advances						
M. J. Anderson	-	25,800	25,800	-	-	-
M. J. Cicalese	-	26,304	26,304	-	-	-
R. F. Hardy	-	23,648	23,648	-	-	-
E. A. Kelly	-	20,000	20,000	-	-	-
S. M. Ogelby	-	30,284	30,284	-	-	-
T. M. Mullen	-	20,600	20,600	-	-	-
	$280,500	$171,636	$206,636	$ -	$ 10,000	$235,500
DECEMBER 31, 1974						
W. L. Trent, Jr.	$220,500	$ -	$ 10,000	$ -	$105,250	$105,250 (1)
J. W. Gibson	25,000	-	-	-	-	25,000 (1)
	$245,500	$ -	$ 10,000	$ -	$105,250	$130,250

(1) See Note 3 of Notes to Consolidated Financial Statements.

DYNCO P 00154

DYNALECTRON CORPORATION AND SUBSIDIARIES

SCHEDULE V - PROPERTY AND EQUIPMENT

FOR THE YEARS ENDED DECEMBER 31, 1973 AND 1974

	Land	Buildings and Leasehold Improvements	Condominium Interest in Office Bldg. in France	Machinery and Equipment	Total
Balance, December 31, 1972	$ 209,759	$1,576,505	$ 990,389	$4,459,538	$ 7,236,191
Additions at cost	335,238	470,450	-	1,511,691	2,317,379
	131,007 (1)	127,995 (1)		592,850 (1)	851,852 (1)
Retirements or sales	-	(108,190)	(990,389)	(802,177)	(1,900,755)
Balance, December 31, 1973	676,004	2,066,760	-	5,761,902	8,504,666
Additions at cost	92,424	687,346	-	2,938,604	3,718,374
	310,380 (2)	486,164 (2)		437,059 (2)	1,233,603 (2)
Retirements or sales	(17,425)	(99,139)	-	(729,197)	(845,761)
Balance, December 31, 1974	$1,061,383	$3,141,131	$ -	$8,408,368	$12,610,882

NOTES:

(1) Cost of property and equipment, on dates of acquisition, of companies acquired during 1973 and accounted for as purchases.

	Land	Buildings and Leasehold Improvements	Machinery and Equipment	Total
Greater Cincinnati Air Service, Inc.	$ -	$ 1,086	$178,247	$179,333
H.M.S. Electric Corporation	-	31,306	155,305	186,611
Hart Electric, Inc.	128,007	60,955	67,040	256,002
Barber & Gibson Contractors, Inc.	3,000	20,000	146,480	169,480
Gulf Telephone & Electronics, Inc.	-	14,648	45,778	60,426
	$131,007	$127,995	$592,850	$851,852

(2) Cost of property and equipment, on dates of acquisition, of companies acquired during 1974 and accounted for as purchases.

	Land	Buildings and Leasehold Improvements	Machinery and Equipment	Total
Fuller-Austin Insulation Company	$310,380	$486,164	$404,359	$1,200,903
Solar Insulators, Inc.	-	-	32,700	32,700
	$310,380	$486,164	$437,059	$1,233,603

DYNALECTRON CORPORATION AND SUBSIDIARIES

SCHEDULE VI - ACCUMULATED DEPRECIATION AND AMORTIZATION

FOR THE YEARS ENDED DECEMBER 31, 1973 AND 1974

	Buildings and Leasehold Improvements	Condominium Interest in Office Bldg. in France	Machinery and Equipment	Total
Balance, December 31, 1972	$497,585	$ 287,246	$2,095,174	$2,880,005
Additions: Charged to earnings	126,426	45,616	818,779	990,821
Retirements or sales	(72,097)	(332,862)	(368,845)	(773,804)
Balance, December 31, 1973	551,914	-	2,545,108	3,097,02
Additions: Charged to earnings	213,638	-	1,192,534	1,406,172
Retirements or sales	(25,163)	-	(322,826)	(347,989)
Balance, December 31, 1974	$740,389	$ -	$3,414,816	$4,155,205

DYNCORP 00155

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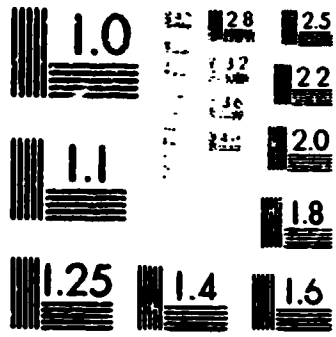
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DYNALECTRON CORPORATION AND SUBSIDIARIES

SCHEDULE VII - INTANGIBLE ASSETS

FOR THE YEARS ENDED DECEMBER 31, 1973 AND 1974

Classification	Balance at beginning of period	Additions at cost	Deductions: Charged to income	Deductions: Charged to other accounts	Balance at close of period
DECEMBER 31, 1973					
Lease rights purchased	$ -	$ 26,067	$ 1,022	$ -	$ 25,045
Covenant not to compete	30,067	-	8,000	-	22,667
Cost in excess of net tangible assets of businesses acquired	1,108,909	649,387 (1) 266,155	69,13?	-	1,955,318
	$1,139,576	$ 941,609	$ 78,155	$ -	$2,003,030
DECEMBER 31, 1974					
Lease rights purchased	$ 25,045	$ -	$ 1,533	$ -	$ 23,512
Covenant not to compete	22,667	-	8,000	-	14,667
Cost in excess of net tangible assets of businesses acquired	1,955,318	51,248 (4) 918,599 (3) 225,000 (2) 123,594 (1) 16,353	112,645	33,067 (5)	3,144,400
	$2,003,030	$1,334,794	$122,178	$33,067	$3,182,579

NOTES:

(1) Common Stock issued as additional consideration in connection with earn-out provisions of subsidiaries acquired.

(2) Cash and notes issued as additional purchase price of an acquired subsidiary, contingent on future earnings.

(3) Additional consideration accrued in connection with earn-out provisions of an acquired subsidiary.

(4) Write-off of negative goodwill of inactive subsidiary.

(5) Increase in basis of assets of an acquired subsidiary.

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DYNALECTRON CORPORATION AND SUBSIDIARIES

SCHEDULE XII - RESERVES

FOR THE YEARS ENDED DECEMBER 31, 1973 AND 1974

	Allowances for doubtful accounts	Allowances for possible nonrecovery of long-term receivables
Balance, December 31, 1972	$262,083	$223,000
Additions:		
Charged to costs and expenses	324,436 (A)	140,334 (B)
Charged to other accounts	67,479 (1)	30,290 (4)
Deductions from reserves	(199,949)(2)	(176,912)(2)
Balance, December 31, 1973	454,049	216,712
Additions:		
Charged to costs and expenses	482,878 (C)	-
Charged to other accounts	14,868 (3)	-
Deductions from reserves	(355,893)(2)	(65,056)(2)
Balance, December 31, 1974	$595,902	$151,656

NOTES:

(1) Reserves on date of acquisition of companies acquired during 1973 and accounted for as purchases.

(2) Write-off of uncollectible accounts.

(3) Charged to unbilled costs, overhead and other.

(4) Write-off of liability contingent on collection of note receivable.

(5) The statements of consolidated earnings include the following provisions (credit) for doubtful accounts for the years ended December 31, 1973 and 1974:

	1973	1974
	$324,436 (A)	$482,878 (C)
	140,334 (B)	-
	464,770	482,878
Add: Write-offs charged to expense	19,359	7,170
Less: Recovery of amounts previously written-off	(7,717)	(5,906)
	$476,412	$484,142

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DYNALECTRON CORPORATION AND SUBSIDIARIES

SCHEDULE XVI - SUPPLEMENTARY INCOME STATEMENT INFORMATION

FOR THE YEARS ENDED DECEMBER 31, 1973 AND 1974

Item	Charged to Costs and Expenses 1973	1974
Depreciation and amortization of property, plant and equipment	$ 990,821	$1,406,172
Taxes, other than income taxes -		
Payroll	2,802,819	3,232,958
Other	469,483	444,372
Rents	1,244,554	1,838,515
Repairs and maintenance	958,075	1,545,260

NOTE: Other items of supplementary income statement information are omitted because they constitute less than one percent of total revenues as reported in item 2 or are separately disclosed elsewhere herein.

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SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

EXHIBIT A

TO

FORM 10-K, ANNUAL REPORT FOR 1974

OF

DYNALECTRON CORPORATION

File No. 1-3879-2

This Exhibit, Contract No. DAAD 7-69-C-0032 - Modifications 74 through 76 (original contract and Modifications 1 through 73 previously filed with Registrant's Form 10-K), has been edited, as is clearly indicated throughout to delete certain confidential rates and pricing data. Complete copies of the Exhibit have been filed separately with the Commission with a request for Confidential Treatment in accordance with Rule 24b-2 (Nondisclosure of Information Filed with Commission) of General Rules and Regulations under the Securities Act of 1934.

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[illegible] OF CONTRACT | PAGE 1 OF 2

1. [illegible]	2. [illegible]	3. [illegible]	4. [illegible] (If applicable)
[illegible]			

5. [illegible] CODE	6. [illegible] CODE
Procurement Directorate STEWS-PR-A, Building 1830 White Sands Missile Range New Mexico 88002	Procurement Directorate STEWS-PR-A, Building 841 P.O. Box 572, Holloman AFB New Mexico 88330

7. CONTRACTOR NAME AND ADDRESS — CODE — FACILITY CODE

(Street, city, county, state, and ZIP Code)

Dynalectron Corporation
Land-Air Division
2233 Wisconsin Ave, NW
Washington, D.C. 20007

8. ☐ AMENDMENT OF SOLICITATION NO. ____

DATED ____ (See block 9)

☒ MODIFICATION OF CONTRACT/ORDER NO. DAAD07-69-C-0032

DATED 68 Jun 11 (See block 11)

9. THIS BLOCK APPLIES ONLY TO AMENDMENTS OF SOLICITATIONS

☐ The above numbered solicitation is amended as set forth in block 12. The hour and date specified for receipt of Offers ☐ is extended, ☐ is not extended.

Offerors must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation, or as amended, by one of the following methods:

(a) By signing and returning ____ copies of this amendment; (b) By acknowledging receipt of this amendment on each copy of the offer submitted; or (c) By separate letter or telegram which includes a reference to the solicitation and amendment numbers. FAILURE OF YOUR ACKNOWLEDGMENT TO BE RECEIVED AT THE ISSUING OFFICE PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. If, by virtue of this amendment you desire to change an offer already submitted, such change may be made by telegram or letter, provided each telegram or letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.

10. ACCOUNTING AND APPROPRIATION DATA (If required)

11. THIS BLOCK APPLIES ONLY TO MODIFICATIONS OF CONTRACTS/ORDERS

(a) ☐ This Change Order is issued pursuant to ____

The Changes set forth in block 12 are made to the above numbered contract/order.

(b) ☐ The above numbered contract/order is modified to reflect the administrative changes (such as changes in paying office, appropriation data, etc.) set forth in block 12.

(c) ☒ This Supplemental Agreement is entered into pursuant to authority of ARTICLE V, PARA 6, Entitled, Option for Changed Requirements

It modifies the above numbered contract as set forth in block 12.

12. DESCRIPTION OF AMENDMENT/MODIFICATION

1. Effective 1 July through 31 December 1973 the rate of effort under Section II - Aeromedical Research Laboratory is decreased pursuant to Article V, paragraph 6, entitled, Option for Changed Requirements.

2. The Contractor was directed to phase-down performance pertaining to the Daisy Decelerator impact effort no later than 30 June 1973 due to decreased availability of funds and program requirements.

3. Due to culmination of the Air Force's requirement for impact work at the Daisy Decelerator, the Contractor was further directed to phase-out all efforts pertaining to the Daisy Decelerator impact effort no later than 15 September 1973.

4. The Contractor's cost proposal for the total reduced level of effort is as follows:

a. The Negotiated Estimated Cost is decreased by ____ from ____ to ____ and the Negotiated Maximum Award Fee is decreased by ____ from ____ to ____

Except as provided herein, all terms and conditions of the document referenced in block 3, as heretofore changed, remain unchanged and in full force and effect.

☐ CONTRACTOR/OFFEROR IS NOT REQUIRED TO SIGN THIS DOCUMENT ☒ CONTRACTOR/OFFEROR IS REQUIRED TO SIGN THIS DOCUMENT AND RETURN ORIGINAL COPIES TO ISSUING OFFICE

14. NAME OF CONTRACTOR/OFFEROR	17. UNITED STATES OF AMERICA
J. H. Matherly (Signature of person authorized to sign)	Pablo B. Montoya (Signature of Contracting Officer)

15. NAME AND TITLE OF SIGNER (Type or print)	16. DATE SIGNED	18. NAME OF CONTRACTING OFFICER (Type or print)	19. DATE SIGNED
J. H. Matherly Assistant Secretary	3-20-74	PABLO B. MONTOYA Contracting Officer	21 MAR 1974

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BY MAIL DUPLICATE

	CONTINUATION SHEET		PAGE 2 3

Dynalectron Corporation

ITEM NO.	SUPPLIES/SERVICES	QUANTITY	UNIT	UNIT PRICE	AMOUNT

5. The Government's Financial Schedule for Section II - Aeromedical Research Laboratory as last amended by Modification No. A00072, is hereby further amended as follows:

SECTION II - AEROMEDICAL RESEARCH LABORATORY

FROM

	NEGOTIATED AMOUNT	OBLIGATED AMOUNT	SUBJECT TO AVAILABILITY
Estimated Cost:			
Maximum Award Fee:			
New Mexico Tax:			
Estimated Total:			

TO

Estimated Cost:			
Maximum Award Fee:			
New Mexico Tax:			
Estimated Total:			

MAXIMUM AWARD FEE

YEAR	FROM	TO
1st		
2nd		
3rd		
4th		
5th		
6th		

* Actual Award Fee earned

** Actual Award Fee earned for period 1 Jan - 30 Jun 73

5. By modification No. A00072, the contract term for Section II - Aeromedical Research Laboratory was extended through 31 Jan 74. The Air Force has a requirement for the support services to be extended through 14 Feb 74, which will be consistent with the term of Sections I and IV of the contract.

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DYNCORP 00163

CONTINUATION SHEET

3 3

ITEM NO.	SUPPLIES/SERVICES	QUANTITY	UNIT	UNIT PRICE	AMOUNT

5. In consideration hereof Section II - Aeromedical Research Laboratory is increased as follows:

a. The Negotiated Estimated Cost is increased by [redacted] from [redacted] to [redacted], the Negotiated Maximum Award Fee is increased by [redacted] from [redacted] to [redacted].

b. The Government's Financial Schedule for Section II - Aeromedical Research Laboratory as last amended in paragraph 4.b., above, is hereby further amended as follows:

SECTION II - AEROMEDICAL RESEARCH LABORATORY

FROM

	NEGOTIATED AMOUNT	OBLIGATED AMOUNT	SUBJECT TO AVAILABILITY
Estimated Cost:			
Maximum Award Fee:			
New Mexico Tax			
Estimated Total:			

TO

Estimated Cost:	
Maximum Award Fee:	
New Mexico Tax:	
Estimated Total:	

MAXIMUM AWARD FEE

	FROM	TO
1st		
2nd		
3rd		
4th		
5th		
6th		

Actual Award Fee earned

Actual Award Fee earned for period 1 Jan - 30 Jun 73.

ORIGINAL DUPLICATE

102-12

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[illegible]

Building 1630
US Army White Sands Missile Range
New Mexico 88002

Building 881
P. O. Box 572, Holloman AFB
New Mexico 88330

SEP 12 1974

CODE | FACILITY CODE

(Street, city, county, state, and ZIP Code)

Dynalectron Corporation
Land-Air Division
2233 Wisconsin Ave, N.W.
Washington, D.C. 20007

☐ AMENDMENT OF SOLICITATION NO. ____

DATED ______ (See block 9)

☒ MODIFICATION OF CONTRACT/ORDER NO. DAAD07-69-C-0032

DATED 68 Dec 11 (See block 11)

9. THIS BLOCK APPLIES ONLY TO AMENDMENTS OF SOLICITATIONS

☐ The above numbered solicitation is amended as set forth in block 12. The hour and date specified for receipt of Offers ☐ is extended, ☐ is not extended

Offerors must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation, or as amended, by one of the following methods:

(a) By signing and returning ______ copies of this amendment; (b) By acknowledging receipt of this amendment on each copy of the offer submitted; or (c) By separate letter or telegram which includes a reference to the solicitation and amendment numbers. FAILURE OF YOUR ACKNOWLEDGMENT TO BE RECEIVED AT THE ISSUING OFFICE PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. If, by virtue of this amendment you desire to change an offer already submitted, such change may be made by telegram or letter, provided such telegram or letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.

10. ACCOUNTING AND APPROPRIATION DATA (If required)

11. THIS BLOCK APPLIES ONLY TO MODIFICATIONS OF CONTRACTS/ORDERS

(a) ☐ This Change Order is issued pursuant to ____

The Changes set forth in block 12 are made to the above numbered contract/order.

(b) ☒ The above numbered contract/order is modified to reflect the administrative changes (such as changes in paying office, appropriation data, etc.) set forth in block 12.

(c) ☐ This Supplemental Agreement is entered into pursuant to authority of ____

It modifies the above numbered contract as set forth in block 12.

12. DESCRIPTION OF AMENDMENT/MODIFICATION

1. Pursuant to the Award Fee provision and procedures set forth in ARTICLE XI, entitled Estimated Costs, Fee and Accounting and Appropriation, the Contractor is hereby awarded a total earned Award Fee of for the performance period 1 January through 14 February 1974.

a. The aforementioned award fee is comprised as follows:

Contract Section	Award Fee Earned
I - Basic Data Collection	
II - Aeromedical Research Laboratory	
IV - High Speed Test Track	

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[illegible]

PABLO S. MONTOYA
Contracting Officer

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[illegible]	SUPPLIES/SERVICES	QUANTITY	UNIT	UNIT PRICE	AMOUNT

b. To allow payment to the contractor of the above award fee, previously obligated funds for estimated costs are reallocated. The amounts subject to availability, the negotiated maximum amount for award fee is decreased by the difference between available amounts and those actually earned.

c. By reason of the foregoing, the Government's Financial Schedule for the contract sections and the Total Contract are changed as follows:

(1) SECTION I - BASIC DATA COLLECTION - The Negotiated Maximum Award Fee is decreased by from to the Obligated Estimated Cost is decreased by from and the Obligated Maximum Award Fee is increased by from to . The Estimated Totals and amounts subject to availability are changed accordingly.

FROM (MOD No. P00075)

	Negotiated Amount	Obligated Amount	Subject To Availability
Estimated Cost:			
Maximum Award Fee:			
New Mexico Tax:			
Estimated Total:			

TO

Estimated Cost:			
Maximum Award Fee:			
New Mexico Tax:			
Estimated Total:			

MAXIMUM AWARD FEE

YEAR	FROM	TO
1st		
2nd		
3rd		
4th		
5th		
6th		
TOTAL		

*Actual Award Fee Earned

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CONTINUATION S[illegible] | [illegible] No. F00075 to [illegible]

[illegible]

[illegible]	SUPPLIES, [illegible]	QUANTITY	[illegible]	UNIT PRICE	AMOUNT

(2) SECTION II - AEROMEDICAL RESEARCH LABORATORY - The Negotiated Maximum Award Fee is decreased by [ ] from [ ] to [ ] the Obligated Estimated Cost is increased by [ ] from [ ] to [ ], and the Obligated Maximum Award Fee is decreased by [ ] from [ ] to [ ] The Estimated Totals and amounts Subject to Availability are changed accordingly.

FROM (MOD NO. F00075)

	Negotiated Amount	Obligated Amount	Subject To Availability
Estimated Cost:			
Maximum Award Fee:			
New Mexico Tax:			
Estimated Total:			

TO

Estimated Cost:			
Maximum Award Fee:			
New Mexico Tax:			
Estimated Total:			

MAXIMUM AWARD FEE:

YEAR	FROM	TO
1st		
2nd		
3rd		
4th		
5th		
6th		
TOTAL		

* Actual Award Fee Earned

(3) SECTION III - ADVANCE BALLISTIC RE-ENTRY SYSTEMS (ABRES) was not affected by this award fee determination because it had been previously completed. However, the data is brought forwarded in order to protray the entire contract posture.

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[illegible]

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CONTINUATION SHEET

ITEM NO.	SUPPLIES/SERVICES	QUANTITY	UNIT	UNIT PRICE	AMOUNT

NO CHANGE (MOD NO. P00072)

	Negotiated Amount	Obligated Amount	Subject To Availability
Estimated Cost:			
Maximum Award Fee:			
New Mexico Tax:			
Estimated Total:			

MAXIMUM AWARD FEE:

YEAR	AMOUNT
1st	
2nd	
3rd	
4th	
5th	
6th	
TOTAL:	

*Actual Award Fee Earned

(4) SECTION IV - HIGH SPEED TEST TRACK - The Negotiated Maximum Award Fee for the basic Track Section is decreased by | to | , the Obligated Estimated Cost is decreased by | from | and the Obligated Maximum Award Fee is increased by | from | The Estimated Totals and Amounts Subject To Availability are changed accordingly.

FROM (MOD NO. P00075)

	Negotiated Amount	Obligated Amount	Subject To Availability
(1) Basic Section:			
Estimated Cost:			
Maximum Award Fee:			
New Mexico Tax:			
Estimated Total:			

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36 108-12

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	CONTINUATION SHEET	Modification No. [illegible] Contract [illegible]	5 6

ITEM NO.	SUPPLIES/SERVICES	QUANTITY	UNIT	UNIT PRICE	AMOUNT
(2) Stellar Complex					
	Negotiated Amount	Obligated Amount		Subject To Availability	
Estimated Cost: Maximum Award Fee: New Mexico Tax: Estimated Total:					
(3) Grant Total:					
Estimated Cost: Maximum Award Fee: New Mexico Tax: Estimated Total:					
	TO				
(1) Basic Section:					
Estimated Cost: Maximum Award Fee: New Mexico Tax: Estimated Total:					
(2) Stellar Complex (No Change):					
Estimated Cost: Maximum Award Fee: New Mexico Tax: Estimated Total:					
(3) Grand Total:					
Estimated Cost: Maximum Award Fee: New Mexico Tax: Estimated Total:					

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CONTINUATION SHEET

ITEM NO	SUPPLIES/SERVICES	QUANTITY	UNIT	UNIT PRICE	AMOUNT

MAXIMUM AWARD FEE:

YEAR	FROM	TO
1st		
2nd		
3rd		
4th		
5th		
6th		
TOTAL		

(5) The TOTAL CONTRACT COST AND OBLIGATION DATA, as last amended and set forth in Modification No. PC0074, is hereby further amended to reflect the above changes:

FROM (MCD NO. PCC075)

	Negotiated Amount	Obligated Amount	Subject To Availability
Estimated Cost:			
Maximum Award Fee:			
New Mexico Tax:			
Estimated Total:			

TO

Estimated Cost:			
Maximum Award Fee:			
New Mexico Tax:			
Estimated Total:			

MAXIMUM AWARD FEE:

YEAR	FROM	TO
1st		
2nd		
3rd		
4th		
5th		
6th		
TOTAL		

* Actual Award Fee Earned

2. It is to be noted that heretofore all Contract Modifications were numbered with a prefix "A." This modification is correctly prefixed with the letter "P." The prefix "A" on all previous modifications is hereby changed to "P."

DEPARTMENT OF DEFENSE

36-105-12

U.S. GOVERNMENT PRINTING OFFICE: 1972 — 482-331

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	2. EFFECTIVE DATE	3. [illegible] NO.	4. REQ. NO. (If applicable)
		F-4092-0001-74	
[illegible] CODE		5. ADMINISTERED BY (If other than Item 7) CODE	
Procurement Directorate STEWS-PR-A, Building 1830 White Sands Missile Range New Mexico 88002		Procurement Directorate STEWS-PR-A, Building 241 P. O. Box 572, Holloman AFB, New Mexico 88330	MAY 2 0 1974

7. CONTRACTOR NAME AND ADDRESS (Street, city, county, State, and ZIP Code) CODE FACILITY CODE Dynalectron Corporation Land-Air Division 2233 Wisconsin Ave. N.W. Washington, D.C. 20007	8. ☐ AMENDMENT OF SOLICITATION NO. LUX DATED (See block 9) ☑ MODIFICATION OF CONTRACT/ORDER NO. DAAD07-69-C-0032 DATED 68 Jun 11 (See block 11)

9. THIS BLOCK APPLIES ONLY TO AMENDMENTS OF SOLICITATIONS

☐ The above numbered solicitation is amended as set forth in block 12. The hour and date specified for receipt of Offers ☐ is extended, ☐ is not extended.

Offerors must acknowledge receipt of the amendment prior to the hour and date specified in the solicitation or as amended, by one of the following methods:

(a) By signing and returning ____ copies of this amendment; (b) By acknowledging receipt of this amendment on each copy of the offer submitted; or (c) By separate letter or telegram which includes a reference to the solicitation and amendment numbers. FAILURE OF YOUR ACKNOWLEDGMENT TO BE RECEIVED AT THE ISSUING OFFICE PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. If, by virtue of this amendment you desire to change an offer already submitted, such change may be made by telegram or letter, provided each telegram or letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.

10. ACCOUNTING AND APPROPRIATION DATA (If required)

5743600 2944740 617231 000000 622027 528500 F2850(321110-CF200092-01-8052 483C) 4092-0001

11. THIS BLOCK APPLIES ONLY TO MODIFICATIONS OF CONTRACTS/ORDERS

(a) ☐ This Change Order is issued pursuant to ____

The Changes set forth in block 12 are made in the above numbered contract/order.

(b) ☑ The above numbered contract/order is modified to reflect the administrative changes (such as changes in paying office, appropriation data, etc.) set forth in block 12.

(c) ☐ This Supplemental Agreement is entered into pursuant to authority of ____

It modifies the above numbered contract as set forth in block 12.

12. DESCRIPTION OF AMENDMENT/MODIFICATION

1. Pursuant to General Provision No. 2, entitled, Limitation of Funds, which is set forth in ASPR 7-402.2(c), dated Oct 66, additional funds in the amount of [illegible] are hereby obligated to Section II - Aeromedical Research Laboratory. These funds are properly chargeable to the Accounting and Appropriation data cited above.

2. Pursuant to the Award Fee provision and procedures set forth in ARTICLE II, entitled Estimated Costs, Fee, and Accounting and Appropriation, the Contractor is hereby awarded a total earned Award Fee of [illegible] for the performance period 1 July through 31 December 1973.

DUPLICATE ORIGINAL

Except as provided herein, all terms and conditions of the document referenced in Block 8, as heretofore changed, remain unchanged and in full force and effect.

15. ☐ CONTRACTOR'S SIGNATURE IS NOT REQUIRED ☐ CONTRACTOR/OFFEROR IS REQUIRED TO SIGN THIS DOCUMENT AND RETURN ____ COPIES TO ISSUING OFFICE

15A. NAME OF CONTRACTOR/OFFEROR	15B. DATE SIGNED	16A. NAME OF CONTRACTING OFFICER (Type or print)	16B. DATE SIGNED
(Signature of person authorized to sign)		17. UNITED STATES OF AMERICA BY [signature] (Signature of Contracting Officer)	
		PABLO B. MONTOYA	14 May 74

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DYNCORP 00171

Dynalectron Corporation

ITEM NO.	SUPPLIES/SERVICES	QUANTITY	UNIT	UNIT PRICE	AMOUNT

a. The aforementioned award fee is comprised as follows:

CONTRACT SECTION	AWARD FEE EARNED
I- Basic Data Collection	
II Aeromedical Research Laboratory	
IV High Speed Test Track	

b. To allow payment to the Contractor of the above award fee previously and the above obligated funds for estimated costs are reallocated. To preclude an overstatement at a later date of the amounts subject to availability, the negotiated maximum amount for award fee is decreased by the difference between available amounts and those actually earned.

c. By reason of the foregoing, the Government's Financial Scedule for the contract sections and the Total Contract are changed as follows:

(1) Section I - Basic Data Collection - The Negotiated Maximum Award Fee is decreased by from to the Obligated Estimated Cost is decreased by from and the Obligated Maximum Award Fee is increased by from . The Estimated Totals and amounts subject to availability are changed accordingly.

SECTION I - BASIC DATA COLLECTION

FROM (Mod #AC0072)

	Negotiated Amount	Obligated Amount	Subject To Availability
Estimated Cost:			
Maximum Award Fee:			
New Mexico Tax:			
Estimated Total:			

TO

Estimated Cost:			
Maximum Award Fee:			
New Mexico Tax:			
Estimated Total:			

MAXIMUM AWARD FEE (Mod #AC0072)

YEAR	FROM	TO
1st		
2nd		
3rd		
4th		
5th		

DUPLICATE ORIGINAL

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DYNCORP 00172

CONTINUATION SHEET

ITEM	SUPPLIES/SERVICES	QUANTITY	UNIT	UNIT PRICE	AMOUNT
YEAR	FROM	TO			
(2)	Section II - Aeromedical Research Laboratory - The Negotiated Maximum Award Fee is decreased by from to the Obligated Estimated Cost is increased by from to the Obligated Maximum Award Fee is increased by from to and the Obligated New Mexico Tax is increased by are changed accordingly. The Estimated Totals and amounts subject to availability.				

SECTION II - AEROMEDICAL RESEARCH LABORATORY

	FROM Negotiated Amount	Obligated Amount	Subject To Availability
Estimated Cost:			
Maximum Award Fee:			
New Mexico Tax:			
Estimated Total:			
	TO		
Estimated Cost:			
Maximum Award Fee:			
New Mexico Tax:			
Estimated Total:			

MAXIMUM AWARD FEE (MOD #ACC074)

YEAR	FROM	TO
1st		
2nd		
3rd		
4th		
5th		
6th		

*Actual Award Fee Earned

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DYNCORP 00173

CONTINUATION SHEET

Dynalectron Corporation

ITEM NO.	SUPPLIES/SERVICES	QUANTITY	UNIT	UNIT PRICE	AMOUNT

(3) Section IV - High Speed Test Track - The Negotiated Maximum Award Fee is decreased by from to the Obligated Estimated Cost is decreased by from and the Obligated Maximum Award Fee is increased by from The Estimated Totals and amounts subject to availability are changed accordingly.

SECTION IV - HIGH SPEED TEST TRACK

	FROM			
(1) Basic Section	Negotiated Amount	Obligated Amount		Subject To Availability
Estimated Cost				
Maximum Award Fee:				
New Mexico Tax:				
Estimated Total:				
(2) Stellar Complex				
Estimated Cost:				
Maximum Award Fee:				
New Mexico Tax:				
Estimated Total:				
(3) Grand Total:				
Estimated Cost:				
Maximum Award Fee:				
New Mexico Tax:				
Estimated Total:				
	TO			
(1) Basic Section				
Estimated Cost:				
Maximum Award Fee:				
New Mexico Tax:				
Estimated Total:				

DUPLICATE ORIGINAL

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CONTINUATION SHEET | AC0074 | 5 5

Dynalectron Corporation

SUPPLIES/SERVICES	QUANTITY	UNIT	UNIT PRICE	AMOUNT
(2) Steller Complex				
Estimated Cost:				
Maximum Award Fee:				
New Mexico Tax:				
Estimated Total:				
(3) Grand Total:				
Estimated Cost:				
Maximum Award Fee:				
New Mexico Tax:				
Estimated Total:				

Maximum Award Fee (Mod #AC0072)

YEAR	FROM	TO
1st		
2nd		
3rd		
4th		
5th		
6th		

*Actual Award Fee Earned

(4) The Total Contract and Obligation Data as last amended and set forth under Modification No. AC0073, is hereby further amended and bought up to date to reflect action taken under Modification No. AC0074 and this Modification No. AC0075 as follows:

TOTAL CONTRACT AND OBLIGATION DATA

	FROM Negotiated Amount	Obligated Amount	Subject To Availability
Estimated Cost:			
Maximum Award Fee:			
New Mexico Tax:			
Estimated Total:			

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CONTINUATION SHEET

ACC074
DAAC07-69-C-0032

6 6

Dynalectron Corporation

SUPPLIES/SERVICES	QUANTITY	UNIT	UNIT PRICE	AMOUNT
TO (MOD #ACC074)				
Estimated Cost:				
Maximum Award Fee:				
New Mexico Tax:				
Estimated Total:				
TO (MOD #ACC075				
Estimated Cost:				
Maximum Award Fee:				
New Mexico Tax:				
Estimated Total:				

MAXIMUM AWARD FEE(MOD #ACC072)

YEAR	FROM	TO(MOD #ACC074)	TO(MOD #ACC075)
1st			
2nd			
3rd			
4th			
5th			
6th			

3. To establish more realistic provisional rates for billing G&A expense and Burden, paragraph f., entitled, Overhead under ARTICLE III - Allowable Items of Cost, as last amended by Modification No. A052, is hereby further amended to permit billing of a major portion of the accrued costs pending final rates determination. Final rates have been enegotiated for CY 69 and 70. The remaining provisional rates are changed as follows:

CY	G&A	BURDEN
71		
72		
73		

* Actual Award Fee EArned

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SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

EXHIBIT B

TO

FORM 10-K, ANNUAL REPORT FOR 1974

OF

DYNALECTRON CORPORATION

File No. 1-3879-2

DYNALECTRON CORPORATION AND SUBSIDIARIES

COMPUTATIONS OF EARNINGS PER SHARE

FOR THE YEARS ENDED DECEMBER 31, 1970 THROUGH 1974

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DYNALECTRON CORPORATION AND SUBSIDIARIES
COMPUTATIONS OF EARNINGS PER SHARE
FOR THE YEARS ENDED DECEMBER 31, 1970 THROUGH 1974

Computation of Earnings Per Share (Notes 1, 2, 3, 4, 5 and 8)

	1970	1971	1972	1973	1974
Primary					
Average outstanding shares (Note 6)	5,135,621	5,770,080	6,053,016	6,454,172	6,564,144
Common stock equivalents (Note 7)	29,539	200,014	363,256	292,405	8,944
Weighted average number of shares	5,165,160	5,970,094	6,416,272	6,746,577	6,573,088
Earnings per share:					
Earnings from continuing operations	$ 0.26	$ 0.22	$ 0.31	$ 0.32	$ 0.34
Earnings (loss) from discontinued foreign subsidiaries' operations, including extraordinary tax credits of $0.04 in 1970 and $0.03 in 1971	0.07	0.07	(0.19)	(0.02)	-
Net earnings	$ 0.33	$ 0.29	$ 0.12	$ 0.30	$ 0.34
Fully Diluted					
Average outstanding shares (Note 6)	5,135,621	5,770,080	6,053,016	6,454,172	6,564,144
Common stock equivalents (Note 7)	32,766	201,839	364,711	294,630	8,944
Weighted average number of shares	5,168,387	5,971,919	6,417,727	6,748,802	6,573,088
Earnings per share:					
Earnings from continuing operations	$ 0.26	$ 0.22	$ 0.31	$ 0.32	$ 0.34
Earnings (loss) from discontinued foreign subsidiaries' operations, including extraordinary tax credits of $0.04 in 1970 and $0.03 in 1971	0.07	0.07	(0.19)	(0.02)	-
Net earnings	$ 0.33	$ 0.29	$ 0.13	$ 0.30	$ 0.34

NOTES:

(1) Outstanding shares have been retroactively restated for (a) a 2% stock dividend declared February 9, 1972, (b) the acquisition of Airtech Service, Inc. on February 28, 1970, which was accounted for as a pooling-of-interests in 1969, (c) the acquisition of Griffin Construction Company on January 12, 1971, which was accounted for as a pooling-of-interests in 1970 and (d) the acquisition of Servair Inc. on September 21, 1971, which was accounted for as a pooling-of-interests in 1971.

(2) Outstanding options of 42,697; 68,175; 90,869; 114,894 and 223,649 for the years 1970 through 1974 were excluded from earnings per share computations because the effect of their inclusion would have been to increase earnings per share by $0.0012, $0.0009, $0.0013, $0.0033 and $0.0082 for the years 1970 through 1974, respectively.

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DYNCORP 00178

(3) Convertible notes ($3,350,000 issued in 1968 and $2,650,000 issued in 1969, less $1,925,000 repurchased in 1973) have been excluded from primary earnings per share computations because they are classified as senior securities (the yield at the time of issuance was greater than 66-2/3% of the prime interest rate). They have been excluded from fully diluted earnings per share computations because the effect of their inclusion would have been to increase earnings per share by $0.0193 in 1970, $0.0180 in 1971, $0.0258 in 1972, $0.0111 in 1973 and $0.0082 in 1974.

(4) Convertible preferred stock, issued in 1973, has been excluded from earnings per share computations (both primary and fully diluted) because the effect of their inclusion would have been to increase earnings per share by $0.0002 in 1973 and $0.0003 in 1974.

(5) Convertible debentures ($1,52..099 issued in 1974) have been excluded from primary earnings per share computations because they are classified as senior securities (the yield at the time of issuance was greater than 66-2/3% of the prime interest rate). They have been excluded from fully diluted earnings per share computation because the effect of their inclusion would have been to increase earnings per share by $0.0007 in 1974.

(6) The average number of outstanding shares has been computed by adding the number of shares outstanding as of January 1 of each year and the number of shares outstanding at the end of each month during the year divided by 13.

(7) Common stock equivalents include outstanding stock options at prices below the average market price for the quarter (closing price for fully diluted), reduced by the number of shares that could be reacquired from the proceeds received from the exercise of these options under the treasury stock method. The resulting number of common stock equivalents of each quarter are added and the sum is divided by four. In addition, included in 1971, 1972, 1973 and 1974 as common stock equivalents (both primary and fully diluted) are those contingent shares, which the condition for their issuance is currently being met.

(8) Under terms of an incentive plan based on earnings, the former owners of certain acquired companies can earn an additional $2,700,000 payable in 1978 either in cash or common stock at the option of the Registrant. The earnings level of these acquired companies since acquisition is sufficient to project attainment of the maximum amount. It is the intention of the Registrant to satisfy this contingent obligation in cash unless the market price of the Registrant's common stock at the time of payment is substantially in excess of the current market price. Accordingly, the weighted average number of common and common equivalent shares outstanding does not include any shares for future satisfaction of this contingency.

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SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

EXHIBIT C

TO

FORM 10-K, ANNUAL REPORT FOR 1974

OF

DYNALECTRON CORPORATION

File No. 1-3879-2

CERTIFICATE OF AMENDMENT ADOPTED

JANUARY 7, 1974, TO DYNALECTRON

CORPORATION CERTIFICATE OF INCORPORATION

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CERTIFICATION

RELATIVE TO THE ISSUANCE OF
CERTAIN PREFERRED SHARES
OF DYNALECTRON CORPORATION

DYNALECTRON CORPORATION, a Delaware corporation, with offices at 2233 Wisconsin Avenue, N.W., Washington, D.C., does hereby certify, pursuant to Section 151(g) of the Delaware General Corporation Law, that the following is a true and accurate copy of certain resolutions adopted by the Executive Committee of the Board of Directors of said corporation at a meeting thereof, duly convened and held in accordance with the By-laws of the Company on January 7, 1975, at the corporation's Washington, D.C. offices, at which meeting a quorum of said Committee was present and acting at all times:

WHEREAS, pursuant to the powers vested in the Board of Directors of this corporation and this Committee by Article Fourth of the Certificate of Incorporation and paragraph 18 of the corporation's By-laws, a series of the authorized Preferred Stock of this corporation, par value $0.10 per share, has been established and designated as Dynalectron Corporation Convertible Preferred Stock, Series B ("Preferred Series B"), a total of 6,900 shares having been issued pursuant to the action of this Committee on September 13, 1973.

NOW, THEREFORE, BE IT RESOLVED, that the President or any Vice President of this corporation be and each such officer is hereby now authorized and empowered to further issue and deliver certificates representing up to an additional 62,500 fully paid and nonassessable shares of said Preferred Series B stock in a private placement to the holders of the outstanding Capital Stock of AFB Contractors, a California corporation ("AFB"), which certificates shall be properly attested by either the Secretary or Assistant Secretary of this corporation, in connection with the statutory merger of AFB into a wholly-owned subsidiary of this corporation, Dynatron, Inc., also a California corporation ("Dynatron"), all as more specifically defined and set forth in that certain Agreement and Plan of Reorganization between this corporation, Dynatron and the shareholders of AFB, to be dated January 14, 1975 (the "Agreement"), which was approved by the Board of said Dynatron and the Executive Committee of the Board of this corporation on January 7, 1975, the aforementioned officers being hereby further empowered to take any action whatsoever requisite to the issuance of the Preferred Series B shares hereby approved for issuance and the subsequent conversion or redemption of said shares as hereinafter set forth;

and be it further

RESOLVED, that the record holder of said Preferred Series B shares shall be entitled to one vote in the affairs of this corporation for each such share held and shall further be entitled to participate in cash dividends declared

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on this corporation's Common Stock at a rate of 10 times the per-share Common Stock cash dividend for each share of Preferred Series B; provided, however, that only those holders of record of Preferred Series B stock, as of the Common Stock cash dividend record date, shall be so entitled to receive payment of such dividends; provided further that no stock dividends shall be paid on Preferred Series B shares;

and be it further

RESOLVED, that the said Preferred Series B shares shall be redeemable by the holders thereof at any time during the period commencing with the beginning of the 60th month through and including the 66th month from the date of issuance thereof for cash in the amount of $80.00 per share (the "designated per-share value"), plus a dividend of 6% per annum compounded annually from the date of issuance of said Preferred Series B to the date of redemption, but decreased by the amount of all cash dividends paid on said Preferred Series B prior to redemption, with such cash dividends increased at a rate of 6% per annum compounded annually from date of payment to date of redemption; provided, however, that said 6% per-annum dividend shall not be paid for any periods during which said Preferred Series B stock is held in escrow or other trusteeship pending release to the record holders thereof solely on the basis of the earnings performance of any company, partnership or other business venture in which this corporation has an equity ownership interest, nor shall any cash dividends paid on such Preferred Series B shares so held in escrow or other trusteeship be increased as aforesaid for the period such Preferred Series B shares are so held in escrow or other trusteeship;

and be it further

RESOLVED, that said Preferred Series B shares shall also be convertible upon the demand of the holder thereof at any time after issuance into the Common Stock of this corporation, par value $0.10 per share, at a rate of 10 shares of fully paid and nonassessable Dynalectron Common Stock for each share of said Preferred Series B; provided, however, that said Preferred Series B shares shall also be subject to conversion upon demand by this corporation into the Common Stock of this corporation at the rate aforementioned, at any time subsequent to a period of two (2) years from the date of issuance thereof, so long as the average of the daily closing price of this corporation's Common Stock as reported on the American Stock Exchange, or any other exchange on which this corporation's Common Stock may be traded in the future, has, for a period of 30 consecutive calendar days immediately prior to the conversion demand date, equaled or exceeded a price of $10.00; provided further, however, that the aforementioned rate of conversion and the daily closing price at which the Company can demand conversion shall be adjusted to compensate for any Dynalectron Common Stock stock dividend, stock split, recapitalization or reverse stock split occurring prior to conversion;

and be it further

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RESOLVED, that in the event of any liquidation, dissolution or winding up of this corporation, whether voluntary or involuntary, holders of said Preferred Series B shares, as well as holders of any other series of the Preferred Stock of this corporation, shall be entitled to receive pari passu from the assets of this corporation, to the extent available after the payment of all general and secured creditors, but before distribution to any holders of the Common Stock of this corporation, the designated per-share value of $60.00 for all Preferred Series B shares held, including only such Preferred Series B shares as the holder thereof is entitled to receive in distribution from any escrow or trusteeship based solely on the earnings performance of any company, partnership or other business enterprise in which this corporation has an equity ownership interest, said designated per-share value being increased for cumulative dividends and decreased for cash dividends in the same manner as heretofore provided for in the case of cash redemption;

and be it further

RESOLVED, that this corporation shall be and is hereby designated as transfer agent for all certificates representing Preferred Series B shares.

ATTEST: DYNALECTRON CORPORATION

CORPORATE SEAL

Arnold Janofsky
Assistant Secretary

By: M. F. Richards
M. F. Richards
Executive Vice President

CITY OF WASHINGTON]
SS
DISTRICT OF COLUMBIA]

BEFORE ME, a Notary Public in and for the District of Columbia, did appear M. F. Richards and Arnold Janofsky, Executive Vice President and Assistant Secretary, respectively, of the within-named corporation, DYNALECTRON CORPORATION, who, being known to me, did acknowledge the within Certification to be the valid act of said DYNALECTRON CORPORATION, as authorized by the Executive Committee of its Board of Directors, its Certificate of Incorporation, and its By-laws, and did affix their signatures and the seal of said corporation, stating same to be within the power entrusted to and vested in them by said corporation.

Subscribed and sworn before me this 8th day of January, 1975.

Notary Public
My Commission Expires April 14, 1975

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State of DELAWARE

Office of SECRETARY OF STATE

I, Robert H. Reed, Secretary of State of the State of Delaware, do hereby certify that the above and foregoing is a true and correct copy of Certificate Increasing Convertible Preferred Stock, Series B of the "DYNALECTRON CORPORATION", as received and filed in this office the thirteenth day of January, A.D. 1975, at 1 o'clock P.M.

In Testimony Whereof, I have hereunto set my hand and official seal at Dover this thirteenth day of January in the year of our Lord one thousand nine hundred and seventy-five.

Robert H. Reed — Secretary of State

Asst Secretary of State

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SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

EXHIBIT D

TO

FORM 10-K, ANNUAL REPORT FOR 1974

OF

DYNALECTRON CORPORATION

File No. 1-3879-2

DYNALECTRON CORPORATION

BY-LAWS,

AS AMENDED TO DATE

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DYNALECTRON CORPORATION

By-Laws

Offices

1. The principal office shall be in the City of Wilmington, County of New Castle, State of Delaware, and the name of the resident agent in charge thereof is the Corporation Trust Company.

2. The Corporation may also have an office in the City of San Francisco, State of California, and also offices at such other places as the Board of Directors may from time to time determine or the business of the Corporation may require.

STOCKHOLDERS' MEETINGS

3. All meetings of the Stockholders for the election of Directors shall be held at the office of the Corporation in Washington, D.C., or at such other place in the City of Washington as shall be stated in the notice of the meeting. Meetings of Stockholders for any other purpose may be held at such place and time as shall be stated in the notice of the meeting.

4. An Annual Meeting of Stockholders shall be held on the third Wednesday of May in each year if not on a legal holiday, then on the next secular day following, at 1:30 p.m., at which they shall elect by a plurality vote, by ballot, a Board of Directors, and transact such other business as may properly be brought before the meeting.

5. Written notice of the Annual Meeting shall be served upon or mailed to each stockholder entitled to vote thereat at such address as appears on the books of the Corporation, at least ten days prior to the meeting.

6. At least ten days before every election of Directors, a complete list of the stockholders entitled to vote at said election, arranged in alphabetical order,

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with the residence of each and the number of voting shares held by each, shall be prepared by the Secretary. Such list shall be open at the place where the election is to be held for said ten days, to the examination of any stockholder, and shall be produced and kept at the time and place of election during the whole time thereof, and subject to the inspection of any stockholder who may be present.

7. Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by statute or by the Certificate of Incorporation, may be called by the President and shall be called by the President or Secretary at the request in writing of a majority of the Board of Directors, or at the request in writing of stockholders owning a majority in amount of the entire capital stock of the Corporation issued and outstanding and entitled to vote. Such request shall state the purpose or purposes of the proposed meeting.

8. Written notice of a special meeting of stockholders, stating the time and place and object thereof, shall be served upon or mailed to each stockholder entitled to vote thereat at such address as appears on the books of the Corporation, at least ten days before such meeting.

9. Business transacted at all special meetings shall be confined to the objects stated in the call.

10. The holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall be requisite and shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute, or by the Certificate of Incorporation or by these By-Laws. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn

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the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented any business may be transacted which might have been transacted at the meeting as originally notified.

11. When a quorum is present at any meeting, the vote of the holders of a majority of the stock having voting power present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one upon which by express provision of the statutes or of the Certificate of Incorporation or of these By-Laws, a different vote is required in which case such express provision shall govern and control the decision of such question.

12. At any meeting of the stockholders every stockholder having the right to vote shall be entitled to vote in person, or by proxy appointed by an instrument in writing subscribed by such stockholder and bearing a date not more than three years prior to said meeting, unless said instrument provides for a longer period. Each stockholder shall have one vote for each share of stock having voting power, registered in his name on the books of the Corporation, and except where the transfer books of the Corporation shall have been closed or a date shall have been fixed as a record date for the determination of its stockholders entitled to vote, no share of stock shall be voted on at any election of Directors which shall have been transferred on the books of the Corporation within twenty days next preceding such election of Directors.

13. Whenever the vote of stockholders at a meeting thereof is required or permitted to be taken in connection with any Corporate action by any provisions of the statutes or the Certificate of Incorporation of these By-Laws, the meeting and vote of stockholders may be dispensed with, if all the stockholders who would have been

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entitled to vote upon the action if such meeting were held, shall consent in writing to such corporate action being taken.

DIRECTORS

14. The number of Directors which shall constitute the whole Board shall be ten (10). The Directors shall be elected at the Annual Meeting of the Stockholders, and each Director shall be elected to serve until his successor shall be elected and qualify.

15. The Directors may hold their meetings and keep the books of the Corporation, except the original or duplicate stock ledger, outside of Delaware, at the office of the Corporation in the City of San Francisco, California, or at such other places as they may from time to time determine.

16. If the office of any Director or Directors becomes vacant by reason of death, resignation, retirement, disqualification, removal from office, or otherwise, a majority of the remaining Directors though less than a quorum, shall choose a successor or successors, who shall hold office for the unexpired term in respect to which such vacancy occurred or until the next election of Directors.

17. The property and business of the Corporation shall be managed by its Board of Directors which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Certificate of Incorporation or by these By-Laws directed or required to be exercised or done by the stockholders.

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COMMITTEES OF DIRECTORS

18a. By resolution of the Board of Directors, the Board of Directors of the stockholders shall designate one or more of its members who together with the Chairman of the Board and the President shall constitute the Executive Committee of the Board of Directors. The Executive Committee shall have and may exercise all of the powers of the Board of Directors as may be lawfully delegated in the management of the business and affairs of the corporation and shall have the power to authorize the seal of the corporation to be affixed to all papers which may require it.

18b. The Board of Directors may, by resolution or resolutions passed by a majority of the whole Board, designate one or more additional committees consisting of two or more of the Directors of the Corporation. Such additional committee or committees shall have and may exercise such powers and shall have such names as are provided in said resolution or resolutions.

19. The committees shall keep regular minutes of their proceedings and report the same to the Board when required.

COMPENSATION OF DIRECTORS

20. Directors, as such, shall not receive any stated salary for their services, but, by resolution of the Board, may be allowed an annual fee and/or a fixed sum for attendance at each regular or special meeting of the Board, together with any expenses of attendance; provided that nothing herein contained shall be construed to preclude any Director from serving the Corporation in any other capacity and receiving compensation therefor.

21. Members of special or standing committees may be allowed like compensation for attending committee meetings.

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MEETING OF THE BOARD

22. The first meeting of each newly elected Board shall be held at such time and place either within or without the State of Delaware as shall be fixed by the vote of the stockholders at the annual meeting and no notice of such meeting shall be necessary to the newly elected Directors in order legally to constitute the meeting provided a quorum shall be present, or they may meet at such place and time as shall be fixed by the consent in writing of all the Directors.

23. Regular meetings of the Board may be held without notice at such time and place either within or without the State of Delaware as shall from time to time be determined by the Board.

24. Special meeting of the Board may be called by the Chairman of the Board or by the President on one day's notice to each Director, either personally or by mail or by telegram; special meetings shall be called by the Chairman of the Board or President or Secretary in like manner and on like notice on the written request of two Directors.

25. At all meetings of the Board the presence of four (4) Directors shall be necessary and sufficient to constitute a quorum for the transaction of business and the act of a majority of the Directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, except as provided by statute or by the certificate of incorporation or by these By-laws. If a quorum shall not be present at any meeting of Directors, the Directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a

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person shall be present.

REIMBURSEMENT AND INDEMNIFICATION OF OFFICERS AND DIRECTORS

25. (a) The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, arbitrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

(b) The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason

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of the fact that he is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the Corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

(c) To the extent that a director, officer, employee or agent of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in subsections (a) or (b), or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

(d) Any indemnification under subsections (a) or (b) (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in subsections (a) and (b). Such determination shall be made (1) by the Board of Directors by a majority vote of a quorum consisting of directors who were

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not parties to such actions, suit or proceeding, or (2) if such a quorum is not obtainable, or, even if obtainable, a quorum of disinterested directors so directs, by independent legal counsel in a written opinion.

(e) Expenses incurred in defending a civil or criminal action, suit or proceeding may be advanced by the Corporation in advance of the final disposition of such action, suit or proceeding, upon receipt of an undertaking by or on behalf of the director, officer, employee or agent to repay such amount unless it shall ultimately be determined that he is entitled to be indemnified by the Corporation as authorized in this section.

(f) The rights of indemnity provided in this bylaw shall not be deemed exclusive and the Corporation may, by contract, vote of stockholders, or disinterested directors, or otherwise, further indemnify directors, officers, employees or agents of the Corporation to the full extent permitted under the laws of the State of Delaware or any other applicable laws, now or hereafter in effect, both as to matters in such person's official capacity and as to action in another capacity while holding such office, and the provisions of this bylaw shall inure to the benefit of a person who has ceased to be a director, officer, employee or agent and to the benefit of the heirs, executors, and administrators of such a person.

(g) The foregoing rights shall be available in respect of any claim, action, suit or proceeding whether or not based upon matters which antedate the adoption of this bylaw.

NOTICES

26. Whenever under the provisions of the statutes or of the certificate of incorporation or of these Bylaws, notice is required to be given in writing, by mail,

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by depositing the same in a post office or letter box, in a post-paid sealed wrapper, addressed to such director or stockholder at such address as appears on the books of the Corporation, or in default of other address, to such director or stockholder at the General Post Office in the City of Wilmington, Delaware, and such notice shall be deemed to be given at the time when the same shall be thus mailed.

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

OFFICERS

28. The officers of the Corporation shall be chosen by the directors and shall be a Chairman of the Board, a President, an Executive Vice President, a Vice President, a Secretary, a Treasurer and a General Auditor. The Board of Directors may also choose a General Counsel, one or more Group Vice Presidents, additional Vice Presidents, and one or more Assistant Secretaries and Assistant Treasurers. Two or more offices may be held by the same person, except that where the offices of President and Secretary are held by the same person, such person shall not hold any other office.

29. The Board of Directors at its first meeting after each annual meeting of the stockholders shall choose a Chairman of the Board of Directors and a President from its members, and one or more Vice Presidents, a Secretary, a Treasurer and a General Auditor, none of whom need be a member of be a member of the Board.

30. The Board may appoint such other officers and agents as it shall deem necessary, who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board.

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31. The salaries of all officers and agents of the Corporation shall be fixed by the Board of Directors.

32. The officers of the Corporation shall hold office until their successors are chosen and qualify in their stead. Any officer elected or appointed by the Board of Directors may be removed at any time by the affirmative vote of a majority of the whole Board of Directors. If the office of any officer becomes vacant for any reason, the vacancy shall be filled by the Board of Directors.

THE CHAIRMAN OF THE BOARD

33. The Chairman of the Board shall preside at all meetings of the stockholders, Directors and Executive Committee and shall be ex-officio a member of all other standing committees. He shall see that all votes and resolutions of the Board are carried into effect. He shall also perform such other duties as may from time to time be assigned to him by th Board of Directors or the Executive Committee.

THE PRESIDENT

The President shall be the chief exec[illegible]ve officer of the Corporation. He shall report to the Executive Committee and the Board of Directors and shall have active and general charge and control of all affairs of the Corporation. To him shall report the Executive Vice President and such other corporate officers as he shall designate. The President shall preside at all meetings of the stockholders, Directors and the Executive Committee in the absence of the Chairman of the Board. He shall execute bonds, mortgages and other contracts requiring a seal, under the seal of the Corporation, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the Board of Directors to some other officer or agent of the Corporation.

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31. The salaries of all officers and agents of the Corporation shall be fixed by the Board of Directors.

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THE PRESIDENT

34. The President shall be the chief executive officer of the Corporation. He shall report to the Executive Committee and the Board of Directors and shall have active and general charge and control of all affairs of the Corporation. To him shall report the Executive Vice President and such other corporate officers as he shall designate The President shall preside at all meetings of the stockholders, Directors and the Executive Committee in the absence of the Chairman of the Board. He shall execute bonds, mortgages and other contracts requiring a seal, under the seal of the Corporation, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the Board of Directors to some other officer or agent of the Corporation.

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35(a) The Executive Vice President shall, subject to the direction of the President, manage the operations of the Corporation and, in the absence or disability of the President, shall perform all the duties and exercise the powers of the President. He shall perform such other duties as the President, the Executive Committee or the Board of Directors shall prescribe.

(b) The Vice President-General Counsel and the Group Vice Presidents, in the order of their seniority in the office of Vice President, shall, in the absence or disability of the President and the Executive Vice President, perform the duties and exercise the powers of the President and shall perform such other duties as the President, Executive Vice President, the Executive Committee or the Board of Directors may prescribe.

(c) The Vice Presidents shall perform such duties as the President, the Executive Vice President, the Executive Committee or the Board of Directors shall prescribe.

THE SECRETARY AND ASSISTANT SECRETARIES

36. The Secretary shall attend all sessions of the Board and all meetings of the stockholders and record all votes and the minutes of proceedings in a book to be kept for that purpose and shall perform like duties for the standing committees when required. He shall give, or cause to be given, notice of all meetings of the stockholders, all meetings of Board of Directors, and in his absence any Assistant Secretary shall perform such other duties as may be prescribed by the Board of Directors, the Executive Committee or the President. He shall keep in a safe custody

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the seal of the Corporation and, when authorized by the Board, affix the same to any instrument requiring it and, when so affixed, it shall be attested by his signature or by the signature of the Treasurer or an Assistant Secretary or an Assistant Treasurer.

37. The Assistant Secretaries in order of their seniority shall, in the absence or disability of the Secretary, perform the duties and exercise the powers of the Secretary and shall perform such other duties as the Board of Directors shall prescribe.

THE TREASURER AND ASSISTANT TREASURERS

38. The Treasurer shall have the custody of the Corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all monies and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Executive Committee or the Board of Directors.

39. He shall disburse the funds of the Corporation as may be ordered by the Executive Committee or the Board, taking proper vouchers for such disbursements, and shall render to the President and Directors, at the regular meetings of the Board, or whenever they may require it, an account of all his transactions as Treasurer and of the financial condition of the Corporation.

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40. If required by the Board of Directors, he shall [illegible] bond (which shall be renewed every six years) in such amount with such surety or sureties as shall be satisfactory to the Board for the faithful performance of the duties of his office and for the restoration to the Corporation in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

41. The Assistant Treasurers in the order of their seniority shall, in the absence or disability of the Treasurer, perform the duties and exercise the powers of the Treasurer and shall perform such other duties as the Executive Committee or the Board of Directors shall prescribe.

VIII. GENERAL AUDITOR

42. The General Auditor shall organize and maintain an effective audit program for the Corporation including coordination of the internal audit activities of the Corporation with those of the Independent Public Accountants who are called upon to certify the Corporation's annual financial statements. The audit program shall encompass all of the managerial, administrative and operational functions of the Corporation.

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CERTIFICATE OF STOCK

43. The Certificates of Stock of the Corporation shall be numbered and shall be entered in the books of the Corporation as they are issued They shall exhibit the holder's name and number of shares and shall be signed by the President or a Vice President and the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer, transfer agent, or registrar at the date of issuance. Any of or all the signatures on the certificate may be a facsimile.

TRANSFER OF STOCK

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

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CLOSING OF TRANSFER BOOKS

45. The Board of Directors shall have the power to close the stock transfer books of the Corporation for a period not exceeding fifty days preceding the date of any meeting of stockholders or the date for payment of any dividend or the date for the allotment rights or the date when any change or conversion or exchange of capital stock shall go into effect or for a period not exceeding fifty days in connection with obtaining the consent of stockholders for any purpose; provided, however, that in lieu of closing the stock transfer books as aforesaid, the Board of Directors may fix in advance a date, not exceeding fifty days preceding the date of any meeting of stockholders, or the date for the payment of any dividend, or the date for the allotment of rights, or the date when any change or conversion or exchange of capital stock shall go into effect or a date in connection with obtaining such consent, as a record date for the determination of the stockholders entitled to notice of, and to vote at, any such meeting, and any adjournment thereof, or or entitled to receive payment of any such dividend, or to any such allotment of rights, or to exercise the rights in respect of any such change, conversion or exchange of capital stock or to give such consent, and in such case such stockholders and only such stockholders as shall be stockholders of record on the date so fixed shall be entitled to such notice of, and to vote at, such meeting and any adjournment thereof, or to receive payment of such dividend, or to receive such allotment of rights, or to exercise such rights or to give such consent, as the case may be, notwithstanding any transfer of any stock on the books of the Corporation after any such record date fixed as aforesaid.

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REGISTERED STOCKHOLDERS

46. The Corporation shall be entitled to treat the holder of record of any share or shares of stock as the holder in fact thereof and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

LOST CERTIFICATE

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

DIVIDENDS

48. Dividends upon the capital stock of the Corporation, subject to the provisions of the Certificate of Incorporation, if any, may be declared by the Board of Directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the

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provisions of the Certificate of Incorporation.

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

DIRECTORS ANNUAL STATEMENT

50. The Board of Directors shall present at each annual meeting and when called for by vote of the stockholders at any special meeting of the stockholders, a full and clear statement of the business and condition of the Corporation.

CHECKS

51. All checks or demands for money and notes of the Corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

FISCAL YEAR

52. The fiscal year shall begin the first day of January in each year.

SEAL

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

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AMENDMENTS

5 . These By-Laws may be altered or repealed at any regular meeting of the stockholders or at any special meeting of the stockholders at which a quorum is present or represented, provided notice of the proposed alteration or repeal be contained in the notice of such special meeting, by the affirmative vote of a majority of the stock entitled to vote at such meeting and present or represented thereat, or by the affirmative vote of a majority of the Board of Directors at any regular meeting of the Board or at any special meeting of the Board if notice of the proposed alteration or repeal be contained in the notice of such special meeting; provided, however, that in case of any change of such time or place, notice thereof shall be given to each stockholder in person or by letter mailed to his last known post office address at least twenty days before the meeting is held .

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SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

EXHIBIT II

TO

FORM 10-K, ANNUAL REPORT FOR 1974

OF

DYNALECTRON CORPORATION

File No. 1-3879-2

DYNALECTRON CORPORATION SPECIMEN OF

8-1/4% CONVERTIBLE DEBENTURE

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DYNALECTRON CORPORATION

8-1/4% Convertible Debenture

Washington, D.C.
July , 1974

FOR VALUE RECEIVED, the undersigned, DYNALECTRON CORPORATION, (the "Company"), a Delaware c vation, hereby promises to pay to

or order, the principal amount of $———————, plus interest thereon at a rate of 8-1/4% per annum (computed on the basis of a 360-day year, 30-day month), such principal and interest to be payable to the holder hereof on ——————— , with interest on overdue principal and interest, if any, at the rate of 8-1/4% per annum. Payments of principal and interest shall be made in lawful money of the United States of America at the office of the Republic National Bank of Dallas, Dallas, Texas, or at such other place in the State of Texas as the Company shall have designated for such purpose to the holder thereof in writing.

This Debenture is one in a series of 48 such 8-1/4% Convertible Debentures of the Company ("Debenture") originally issued in the aggregate principal amount of $1,524,099.00 pursuant to that certain Agreement for the Purchase and Sale of All of the Outstanding Stock of Solar Insulators, Inc. and Fuller-Austin Insulation Company, dated the date hereof, between the Company and the former shareholders of Solar Insulators, Inc. and Fuller-Austin Insulation Company (the "Agreement"). The holder hereof is entitled to the benefits of and subject to the terms of Attachment 2 to said Agreement and the special conditions as set forth on the reverse side of this Debenture (the "Conditions").

This Debenture is convertible, upon the terms specified in the Conditions, upon surrender hereof, with the notice of conversion on the reverse side hereof duly executed, at the principal office of the Company, or at the office of the conversion agent (if the Company has designated such an agent pursuant to the Conditions), at the unpaid principal amount hereof or any portion of such principal amount into shares of Common Stock of the Company (or Other Securities, as provided by the adjustment provisions of the Conditions) as such shares shall be constituted at the time of conversion, at the Conversion Price of $8.00 per share of such Common Stock as constituted on the date hereof.

As provided in the Conditions, the Company shall have the right to prepay in whole or in part and from time to time, without penalty, any Debenture of this series having a due date after December 31, 1975.

In case an Event of Default, as defined in the Conditions, shall occur and be continuing, the unpaid balance of the principal of this Debenture and any Debenture of this series may be declared and become due and payable in the manner and with the effect provided in said Conditions.

This Debenture is made and delivered in, and shall be governed by the laws of, the State of Texas.

DYNALECTRON CORPORATION

By. ———————
Executive Vice President

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CONDITIONS APPLICABLE TO DYNALECTRON CORPORATION

8-1/4% CONVERTIBLE DEBENTURES

1 *Purchase for Investment* —Dynalectron Corporation (the "Company") acknowledges that the Debentures to which these Conditions are applicable has been issued by the Company, and purchased by the holder hereof for the sole account of said initial holder as an investment with no present intention of distributing or reselling same or any of the Company's Common Stock issuable upon the conversion of said Debentures. Representations to this effect are contained in Attachment 2 to that certain Agreement as more fully identified on the face of this Debenture. The initial and any subsequent transfer or delivery of this Debenture is conditional upon the validity of such representations at the time of such transfer or delivery.

2 *Restrictions on Transfer of Debentures, Common Stock and Other Securities Without Registration*

(a) Unless a registration with respect thereto under the Securities Act of 1933 is at the time in effect, no Debenture or share of Common Stock or Other Securities previously issued upon the conversion of any Debenture (as hereafter specified) shall be transferred (such term to include any disposition which would constitute a sale within the meaning of said Securities Act), except upon compliance with the conditions specified in paragraph 2(c) below.

(b) Each Debenture of the series and each Debenture issued in exchange therefor or in any shall be stamped or otherwise imprinted with a legend in substantially the following form:

"This Debenture and the Common Stock (or Other Securities) issuable upon conversion hereof are transferable only upon the conditions specified in the Conditions set forth on the reverse side hereof and the holder of this Debenture by the acceptance hereof agrees to be bound by the provisions of such Conditions."

Each certificate for Common Stock (or Other Securities) initially issued upon the conversion of any Debenture, and each certificate for Common Stock (or Other Securities) issued to a subsequent transferee of such Common Stock (or Other Securities), shall (unless otherwise permitted by the provisions of clause (c)(i) of this paragraph 2) be stamped or otherwise imprinted with a legend in substantially the following form:

"The shares represented by this certificate have not been registered under the Securities Act of 1933, as amended. No sale, offer to sell or transfer of the shares represented by this certificate shall be made unless a Registration Statement under such Act with respect to such shares is then in effect, or there is delivered to the issuer of this certificate a legal opinion or other evidence satisfactory to said issuer and its counsel that an exemption from the registration requirements of such Act is then applicable to such shares."

(c) The holder of each Debenture by the acceptance thereof agrees, prior to any transfer or attempted transfer of such Debenture or the Common Stock (or Other Securities) issuable upon conversion of such Debenture, to give written notice to the Company of such holder's intention to effect such transfer. The holder of each certificate of Common Stock (or Other Securities) issued upon conversion of any Debenture bearing the relevant legend set forth in clause (b) of this paragraph 2 by the acceptance thereof, agrees, prior to any transfer or attempted transfer of any shares evidenced by such certificate, to give written notice to the Company of such holder's intention to effect such transfer. Each such notice shall describe the manner and circumstances of the proposed transfer in sufficient detail, and shall contain an undertaking by the person giving such notice to furnish such further information as may be required including an opinion of such holder's counsel, acceptable to the Company, regarding the transferability of said Debenture certificate of Common Stock (or Other Securities).

(i) If in the opinion of such counsel acceptable to the Company the proposed transfer of such Debenture or such Common Stock (or Other Securities) may be effected without registration under said Securities Act, the Company shall so notify the holder thereof and such holder shall thereupon be entitled to transfer such Debenture or such Common Stock (or Other Securities) in accordance with the terms of the notice delivered by such holder to the Company. Each Debenture issued upon the transfer of any such Debenture and each certificate evidencing such Common Stock (or Other Securities) shall bear the relevant legend set forth in clause (b) of this paragraph 2 unless in the opinion of such counsel and the Company such legend is not required in order to assure compliance with the Securities Act.

(ii) If in the opinion of such counsel the proposed transfer of such Debenture or such Common Stock (or Other Securities) may not be effected without registration of same under the Securities Act, the Company shall so notify the holder thereof and the holder thereof agrees not to transfer such Debenture or such Common Stock (or Other Securities) until receipt of notice from the Company under clause (c)(i) of this paragraph 2 that the transfer may be effected without registration or until a registration (pursuant to paragraph 3(b) below) with respect to such Common Stock (or Other Securities) has become effective.

3 *Registration*

(a) As used in this paragraph 3, (i) the terms "register," "registered" and "registration" refer to a registration effected by filing a registration statement in compliance with the Securities Act to permit the disposition of Common Stock (or Other Securities) issued or issuable upon the conversion of Debentures, and any post-effective amendments filed or required to be filed to permit any such disposition, and (ii) the term "Securities Act" means the Securities Act of 1933 or any similar Federal statute, and the rules and regulations of the Securities and Exchange Commission (or of any other Federal agency then administering the Securities Act) thereunder, all as the same shall be in effect at the time.

(b) The Company agrees that it, subsequent to the conversion of the Debenture into Common Stock (or Other Securities), it shall file with the Securities and Exchange Commission a Registration Statement on Form S-1 or its equivalent covering a primary offering by the Company of any of its securities, the Company shall, no less than 30 days prior to the proposed filing date, give written notice to the holders hereof of the proposed filing and at the request of same, include in the coverage of such Registration Statement up to 50% of the shares of Common Stock (or Other Securities) which thereafter shall have been issued and delivered to said holders pursuant to these Conditions, provided any such holders if they desire to have their shares so covered shall agree within 10 days of receipt from the Company of notice of the proposed filing of such Registration Statement (i) to sell and distribute such shares in the method adopted by and through underwriters if any acting for the Company and (ii) to bear any underwriter's commissions relating to their shares covered by such Registration Statement and any fees of their counsel incurred in connection with such Registration Statement. Nothing herein shall be deemed to require the Company to prepare file or bear any expenses incident to any amendments or supplements to any Registration Statement or Prospectus in order to keep any such Registration Statement effective for sales by said holders for more than 30 days after such Registration Statement has become effective. Such holders may collectively exercise the incidental registration rights provided in this paragraph 3 only one time after which they shall not have any further such rights with respect to Registration Statements later filed by the Company, and the incidental registration rights provided by this paragraph 3 shall be applicable only to a Registration Statement filed by the Company subsequent to conversion as aforementioned and prior to July 1, 1978. Notwithstanding anything to the contrary herein contained, said holders shall not have any incidental registration rights if (i) in the opinion of counsel for the Company, such Common Stock (or Other Securities) may be freely sold under an exemption from the registration requirements of the Securities Act of 1933, or (ii) such Stock can be privately placed by the holders thereof in a transaction exempt from the provisions of said Act and the Regulations thereunder at a discount from their then market value on the American Stock Exchange of no greater than ten percent.

(c) It shall be a condition of the Company's obligation under paragraph 3(b) hereof that said holders shall furnish to the Company such information and enter into such agreements customarily required of said holders as the Company may request in connection with the registration of their shares, including the placement of certificates for such shares in an escrow satisfactory to the Company pending effectiveness of such registration.

4 *Conversion*

(a) The unpaid principal amount of any Debenture or any portion thereof may, at the election of the holder thereof, at any time after six months from the date of such Debenture and prior to the close of business on December 31, 1977 or, in the case of total prepayment by the Company, prior to close of business on the day prior to the date fixed for such prepayment, be converted, at the conversion price per share of Common Stock of $8.00, as adjusted and readjusted from time to time in accordance with paragraph 6 (such conversion price, as so adjusted and readjusted and in effect at any time, being herein called the "Conversion Price"), into the number of fully paid and non-assessable shares of Common Stock determined by dividing the principal amount to be so converted by the Conversion Price in effect at the time of such conversion.

(b) Any Debenture may be converted in full or in part by the holder thereof by surrender of such Debenture with the notice of conversion as set forth below duly executed by such holder (specifying the portion of the principal amount thereof to be converted in the case of a partial conversion), to the Company at its principal office in Washington, D.C. Upon any partial conversion of a Debenture, the Company at its expense will forthwith issue and deliver to or upon the order of the holder thereof a new Debenture or Debentures in principal amount equal to the unpaid and unconverted principal amount of such surrendered Debenture, such new Debenture or Debentures to be dated and to bear interest from the date to which interest has been paid, if any, on such surrendered Debenture. Each conversion shall be deemed to have been effected immediately prior to the close of business on the date on which such Debenture shall have been so surrendered to the Company, and at such time the rights of the holder of such Debenture as such shall, to the extent of the principal amount thereof converted, cease, and the Person or Persons in whose name or names any certificate or certificates for shares of Common Stock (or Other Securities) shall be issuable upon such conversion shall be deemed to have become the holder or holders of record thereof.

(c) Within 10 days after the conversion of all or any part of the unpaid principal amount of any Debenture, the Company will pay to the holder converting such Debenture all interest accrued on such converted amount to and including the date of conversion. No adjustment of such interest shall be made in respect of any dividend or other distribution payable on the Common Stock (or Other Securities) issued upon any conversion.

5 *Delivery of Stock Certificates Upon Conversion, Fractional Shares.* As promptly as practicable after the conversion of any Debenture in full or in part, and in any event within 30 days thereafter, the Company at its expense will issue and deliver to the holder of such Debenture, or as such holder (upon payment by such holder of any applicable transfer taxes) may direct, a certificate or certificates for the number of full shares of Common Stock (or Other Securities) issuable upon such conversion, plus, in lieu of any fractional share to which such holder would otherwise be entitled, cash equal to such fraction multiplied by the market value determined in good faith by the Company of one full share as of the close of business on the date of such conversion.

6 *Changes in Capitalization of the Company.* In the event that prior to the expiration of conversion rights under the Debenture, the outstanding shares of the Company's Common Stock, $0.10 par value, are, without due consideration, increased, decreased or changed into or exchanged for a different number or kind of shares or securities ("Other Securities") of the Company through reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split, or other like changes in the Company's capitalization, an appropriate and proportionate adjustment shall be made in the Conversion Price.

7 *Listing on Securities Exchange.* The Company will on or before 180 days from the date hereof list on any national securities exchange on which any Common Stock may at any time be listed, upon official notice of issuance upon the conversion of the Debentures, and maintain such listing of, all shares of Common Stock from time to time issuable upon the conversion of the Debenture, and will register under the Securities Exchange Act of 1934 (or any similar statute then in effect) all shares of Common Stock from time to time so issuable, and the Company will so list on any national securities exchange, will so register and will maintain such listing of, any Other Securities if and at the time that any securities of like class shall be listed on such national securities exchange by the Company.

8 *Conversion Agent.* The Company may, by written notice to each holder of a Debenture, appoint a bank or trust company having an office in Dallas, Houston or Fort Worth, Texas, as agent for the purpose of accepting Debentures surrendered for conversion and issuing Common Stock (or Other Securities) upon the conversion of the Debentures pursuant to paragraph 4 and thereafter, any such surrender and conversion and issuance shall be made at such office to and by such agent.

9 *Events of Default; Acceleration.* If any of the following events ("Events of Default") shall occur and be continuing:

(a) if the Company shall default in the payment of any part of the principal or interest on any Debenture of the series for more than five (5) business days after the date when the same shall have become due and payable, or

(b) if the Company shall make an assignment for the benefit of creditors or shall admit in writing its inability to pay its debts as they become due, or shall file a voluntary petition in bankruptcy, or shall be adjudicated a bankrupt or insolvent, or shall file any petition or answer seeking for itself any liquidation, dissolution or similar relief under any present or future statute, law or regulation, or shall file any answer admitting or not contesting the material allegations of a petition filed against the Company in any such proceeding, or shall seek or consent to or acquiesce in the appointment of any trustee, receiver or liquidator of the Company or of all or any substantial part of the properties of the Company,

then and in any such event any holder or holders of 15% or more in principal amount of the Debentures at the time outstanding may at any time (unless all defaults shall have theretofore been remedied) at its or their option, by written notice or notices to the Company, declare all the Debentures to be due and payable, whereupon the same shall forthwith mature and become due and payable together with interest accrued thereon, without presentment, demand, protest or notice, all of which are hereby waived.

NOTICE OF CONVERSION

(To be signed only upon conversion of this Debenture)

To Dynalectron Corporation

The undersigned, the holder of the foregoing Debenture number_____, hereby surrenders such Debenture for conversion into shares of the Common Stock of DYNALECTRON CORPORATION to the extent of $_____ unpaid principal amount of said Debenture, and requests that certificates for such shares be issued in the name of and delivered to _____ whose address is _____

Dated

_____
Debenture Holder

_____
_____
Address

END

DISCLOSURE® IF THE ABOVE PAGE IS LESS CLEAR THAN THIS STATEMENT, IT IS DUE TO POOR PHOTOGRAPHIC QUALITY OF THIS DOCUMENT.

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FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1975 Commission file number 1-3879-2

DYNALECTRON CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	36-2408747
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1313 Dolley Madison Blvd., McLean, Va.	22101
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number (703) 356-0480

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

Title of each class	Name of each exchange on which registered
Common Stock having a par value of $0.10 per share	American Stock Exchange

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

NONE

(Title of class)

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

ITEM 1. BUSINESS

The Registrant is an operating company which provides a broad range of diversified services to various commercial and governmental enterprises. The activities of the Registrant are divided among three major operating groups as follows:

ELECTRICAL ENGINEERING AND CONTRACTING GROUP

This group is engaged in all aspects of commercial and industrial electrical contracting, heavy industrial, electric utility and commercial thermal insulation work. The Registrant usually operates as a subcontractor under most of the contracts. No products are developed or manufactured, although the group is engaged in warehousing and wholesaling of electrical products.

Operations are conducted throughout the United States and Canada with other foreign business contributing an insignificant amount to total consolidated revenue.

TECHNICAL SERVICES GROUP

The activities of this group are summarized as follows:

Government Services

The operations conducted by this sector are generally directed toward providing technical, maintenance and support services for various agencies connected with the Department of Defense. Such operations are conducted on a world-wide basis, at sites and in facilities generally provided by the government, under prime contracts and subcontracts. These contracts, which are service oriented and involve no manufacturing activities, are obtained through a competitive bidding procedure. The majority of the Registrant's contracts presently in progress are cost plus fixed fee or award fee contracts ranging in duration from one to five years with renewal options exercisable by the government. Essentially all of the contracts are subject to the Renegotiation Act of 1951.

Commercial Aviation

This sector of the Technical Services Group is engaged mainly in providing aircraft maintenance services primarily at Miami International Airport and ground support services for airlines at seven commercial airports and two Air Force bases in the United States.

Telecommunications

This sector engages in the sale, installation and maintenance of interconnect telephone, communications, sound systems and other electronic installations. As this is a relatively new endeavor, these activities are insignificant in relation to the total business of the Registrant.

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The Registrant runs an independent laboratory which engages in process research and development directed presently toward the petroleum, petrochemical, cryogenic and metallurgical industries. Although some projects are financed entirely with Company funds, major endeavors, such as the H-Coal process, are performed under contracts with government and/or private industry participation. In return for this funding, participants normally receive either the use of the process developed, a portion of the royalty/license fees, or an equity interest in the process. The more important processes in which the group has an interest are:

H-Oil®

A process for the hydrogenating and upgrading of heavy and residual feedstocks into lighter, higher grade petroleum products that can be refined with other conventional processing techniques. A feature used in the H-Oil process (the ebullating bed) is protected by U. S. patent through 1978; however, significant improvements to the process are covered by additional patents expiring on various dates through 1992.

Hydrodealkylation (HDA)

This is a process for producing benzene from partially refined petroleum materials. The Registrant receives from 19% to 32% of the royalties granted under this jointly owned process depending upon who issues the license. The HDA process is covered by a number of U. S. patents, which expire between 1983 and 1989.

H-Coal®

This is a process in the developmental stage for converting bituminous coal and lignites (sub-bituminous material) into synthetic crude oil through the application of technology similar to the H-Oil process. The same basic feature (the ebullating bed) used in the H-Oil process is also used in the H-Coal process and is under U. S. patent until 1978; however, significant improvements in H-Coal technology are protected by patents expiring on various dates through 1991.

In September, 1974, a wholly-owned subsidiary of the Registrant received award of an $8.1 million, 14-month first-phase contract for the engineering portion of a multi-phase project for the construction and operation of a 600-ton-per-day (nominal capacity) coal liquefaction pilot plant which will employ the Registrant's proprietary H-Coal process. The contract originally awarded by the Office of Coal Research (OCR), (now a part of the Energy Research and Development Administration) is jointly funded; two-thirds by Government and one-third by industry. The preliminary engineering relating to this pilot plant project was commenced on December 1, 1973.

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Dyn-Lucas Cyclonic Furnace

A license agreement was concluded in 1975 which gave a wholly-owned subsidiary of the Registrant a right to use certain U. S. patents and proprietary technology relating to cyclonic furnaces. The furnace is designed specifically for the clean incineration and disposal of various waste products.

Process Engineering and Design

This sector of the Hydrocarbon Group provides engineering and design services in connection with the construction of industrial plants. Contracts vary from the sale of a particular process only to packages encompassing the complete design, construction and operation of a process at the plant site. Generally, the processes involved are those developed by the Registrant, but processes developed by other companies are also marketed.

Insulation Contracting and Supply

This sector provides both contract installation and wholesale supply services in the field of industrial thermal insulation. Industries serviced include primarily the petroleum process industries in both the United States and Canada.

Specialized Construction

This sector provides specialized construction services in the environmental fields. Areas of specialization include water treatment (both fresh water and tertiary) and applications of the Dyn-Lucas furnace process.

The general fields in which the Registrant conducts business are all highly competitive with competition based on a variety of factors including, but not limited to, price, service and past experience. Competitors in all groups vary in size with some having a larger financial resource base at their disposal. However, many contracts have been awarded to the Registrant because of its technical know-how and past service record. The names of individual competitors are not listed as the Registrant operates in numerous geographical areas with a variety of competitors and such a listing, in the opinion of the Registrant, would not provide adequate information on which to make meaningful comparisons.

The Electrical Engineering and Contracting Group is one of the largest electrical contractors in the United States in terms of contract revenues however individual members of the group often compete with companies which are larger in size and have greater availability of financial resources.

The government services activities of the Technical Services Group are subject to intense competition in the technical services industry where the Registrant's competitors include major aerospace firms whose size and financial resources often far exceed those of the Registrant. With regard to commercial

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construction, the Registrant's competitors include large engineering companies as well as major oil companies. The subsidiaries engaged in industrial thermal insulation (primarily related to the petroleum and petrochemical process industries) are among the largest in the U. S./Canadian market.

The accompanying Table I summarizes contributions of the major groups to the Registrant's revenue and earnings (as defined). Earnings contribution is defined as earnings before income taxes, the application of general and administrative and group support expenses and miscellaneous expenses.

Presently, the following material subsidiaries of the Registrant conduct business in a foreign country:

Name and Location	Date Acquired
The State Electric Company, Limited, Ontario, Canada	June, 1972
Fuller-Austin of Canada Limited, Alberta, Canada	July, 1974

Revenue and earnings contribution of these companies for the year ended December 31, 1975 were 14.0% and 23.9%, respectively, of total consolidated revenue and earnings contribution.

Other foreign operations presently engaged in relate to activities conducted in connection with certain Department of Defense contracts. As the Registrant normally receives rent-free use of the facilities used in connection with these contracts and normally receives payment directly from the Department of Defense, it is the opinion of the Registrant that the exposure normally associated with foreign operations is not present.

Backlog of the Registrant aggregated $113,000,000 at December 31, 1975, and $128,000,000 at December 31, 1974. Approximately $20,000,000 of the December 31, 1975 backlog is not expected to be included in revenue during 1976. On an overall basis, business of the Registrant is not subject to significant seasonal variations.

At December 31, 1975, the Registrant had approximately 5,000 employees.

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MAJOR LINES OF BUSINESS

	Percent				
	Years Ended December 31,				
	1975	1974	1973	1972	1971
Electrical Engineering and Contracting Group:					
Installation, sales and engineering in the commercial and industrial electrical fields					
Revenue	50.3	54.6	52.1	36.0	22.7
Earnings contribution	37.0	48.5	56.3	50.6	34.1
Technical Services Group:					
Aviation and heavy equipment maintenance and modification (Government)					
Revenue	5.8	9.4	15.0	19.9	23.3
Earnings contribution	8.7	16.9	25.8	33.8	36.9
Support services for missile ranges, radar and test facilities and data processing activities					
Revenue	12.7	14.8	20.2	22.9	18.4
Earnings contribution	12.4	18.7	24.9	31.3	25.1
Sales and support services for commercial aviation					
Revenue	9.0	10.3	7.9	10.5	8.8
Earnings contribution	13.2	15.2	9.0	15.4	8.3
Other					
Revenue	1.4	1.4	1.4	.1	—
Earnings contribution	(2.6)	(2.2)	1.8	(.9)	—
Total Technical Services Group					
Revenue	28.9	35.9	44.5	53.4	50.5
Earnings contribution	31.7	48.6	61.5	79.6	70.3
Hydrocarbon Group:					
Engineering research and process development, licensing and construction in the petroleum, petrochemical, cryogenic, metallurgical and environmental fields					
Revenue	20.8	9.5	2.8	4.8	6.6
Earnings contribution	31.3	2.9	(15.8)	(10.2)	(12.2)
Discontinued Operations:					
Revenue	—	—	.6	5.8	20.2
Earnings contribution	—	—	(2.0)	(20.0)	(7.8)
Total Revenue and Total Earnings Contribution	100.0	100.0	100.0	100.0	100.0
Earnings and Other Costs as a Percentage of Total Revenue:					
Earnings before other costs	7.9	6.7	7.5	6.9	7.7
Other Costs:					
Parent Company general and administrative and group support expenses	2.8	2.7	3.3	3.4	3.4
Miscellaneous expenses	1.2	1.1	.1	.6	.2
Earnings Before Income Taxes	3.9	2.9	4.1	2.9	4.1

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE SUMMARY OF OPERATIONS

Revenue Growth and Sources

Revenue for the year increased to a record $176.9 million, up 9% over 1974. The Hydrocarbon Group revenues (including royalties) increased $21.2 million in 1975, of which $18.3 million was attributable to the effect of acquisitions made at mid-1974 and at the start of 1975. Internal expansion of the Hydrocarbon Group work (primarily the engineering phase of the H-Coal Pilot Plant) accounted for $3 million of the increase - a 71% increase of internal activity. Another area which continued a promising growth pattern during 1975 was Commercial Aviation Services (excluding export sales of aircraft) with an increase of $1.5 million (up 12%) to $14.4 million.

The Electrical Engineering and Contracting Group revenues increased slightly (less than 1%) to $88.8 million. With commercial construction in general down approximately 20%, this better-than-industry-average performance was aided substantially by placing increasing emphasis on industrial-type projects thus minimizing the effect of recession-caused delays and cancellations of commercial projects such as office buildings, hotels, and shopping malls.

Shrinkage in Government services contract funds and the phase out of heavy construction equipment maintenance in South Vietnam (at the time of the evacuation of U. S. forces) offset a substantial portion of the growth achieved in other activities. Government services for the year were off $6.3 million, a drop of about 16% from 1974 - $1 million of that decrease was attributable to the South East Asia pull-out. Export sales and services in the Brazilian aviation market also were off $2.3 million in 1975 due primarily to the high importation tax imposed by the Brazilian Government. As a result, in late 1975 the Company sold its Brazilian aviation marketing subsidiary along with its Sao Paulo aircraft maintenance facility.

In summary, the greatest increases in revenues were in industrial construction, industrial insulation, industrial electrical engineering and contracting, and ground support services for commercial airlines at major airports. Types of activities suffering decreases were Government technical services, export aviation sales, and, in many localities, commercial electrical construction.

On an overall basis, the Company's industrial/commercial revenue increased from 35% of total sales in 1971 to 69% or $121 million in 1975, services for the Department of Defense shrunk both in dollars and percent of total revenues (23%), and work for other Government agencies amounted to 8%.

Earnings

Net earnings for 1975 reached a record high of $3,165,000 (46 cents

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The greatest contributing factor to the improvement was the change in the Hydrocarbon Group from a 1974 net loss of approximately $300,000 (after income tax benefit therefor) to a 1975 net after-tax profit of $1,614,000. The primary subsidiary operations in the Hydrocarbon Group were all profitable each quarter of 1975. The group's industrial insulation activities in the United States and Canada (the Fuller-Austin companies) continued their excellent performance, and the full-year effect of this mid-1974 acquisition materially improved the comparative effect. The 1975 net earnings attributable to the Fuller-Austin companies benefited from the accelerated accrual in 1974 ($740,500 after-tax effect) toward a possible bonus that can be earned by key personnel based upon earnings expansion over a three-year, eleven-month period ending December 31, 1977. Because of the acceleration in 1974, the charge in 1975 dropped to an after-tax impact of $160,000 (an annual rate of accrual which will continue through June 1978). The expanded energy-oriented research, development, engineering and licensing activities of the Hydrocarbon Group resulted in a satisfactory earnings level and the January 1975 acquisition (AFB Contractors) provided a solid contribution to the group's earnings for the year.

The Electrical Engineering and Contracting Group achieved 1975 net earnings of $1,322,000 (88% of prior year results) despite the severe business environment confronting the entire construction industry. Factors contributing to sustained profitability in 1975 included the earlier (1974) closing of a loss operation and numerous cost-saving measures to adjust to the economic and business conditions in the operating areas of the various subsidiaries and divisions. Profitable operations were opened during the year in other geographic areas of the United States and Canada.

The composite net earnings from Commercial Aviation Services dropped about 3% in 1975. Losses of the Brazilian subsidiary operations combined with the sharp reduction of export sales of aircraft and spare parts to Brazil reduced net earnings $80,000 which was partly offset by increased earnings in other services for commercial aviation in the United States. The Brazilian subsidiary, along with its Sao Paulo maintenance facility, was sold in November 1975 at approximately its book value. A nominal gain will be recorded on the installment basis as the proceeds are collected through November 1980.

As the volume of Government Services declined in 1975, the resultant earnings were reduced even more by smaller profit margins on new bids and ceilings on certain overhead areas of cost reimbursement despite escalating costs under some multi-year contracts. The telephone interconnect and related activities of the Technical Services Group were confronted by severe market conditions and sustained a loss for the year. Overall, these combined activities served to reduce net earnings by approximately $300,000 after taxes. On an overall basis, the Technical Services Group's 1975 net earnings dropped to approximately $810,000, only 70% of the prior year's result.

Some of the acquisitions made in recent years were handled as taxable transactions and the purchase price was allocated to the acquired assets increasing the tax basis of certain of those assets (primarily orders in progress at time of acquisition) which created an abnormally high charge against income over a relatively short period (approximately $219,000 and $40,000 after taxes in 1974 and 1975, respectively). This practice, although reducing near-term earnings, enhances the expansion of future earnings.

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TABLE II

DYNALECTRON CORPORATION AND SUBSIDIARIES

CONSOLIDATED SUMMARY OF OPERATIONS

	For the years ended December 31, (Note d) (In thousands except per share and dividend data)				
	1975	1974	1973	1972	1971
	$176,459	$161,674	$108,773	$ 90,074	$ 63,949
es	167,839	155,555	104,247	85,637	60,760
	1,663	1,413	674	489	433
tirement of convertible subordinated notes (Note a)	—	—	(715)	—	—
come taxes (Note d)	3,792	2,483	2,434	1,991	1,436
ntinuing operations	3,165	2,223	2,133	1,957	1,320
from discontinued foreign subsidiaries' operations (Note b)	—	—	(106)	(1,213)	406
	$ 3,165	$ 2,223	$ 2,027	$ 744	$ 1,726
on share and common equivalent share:					
continuing operations	$ 0.46	$ 0.34	$ 0.32	$ 0.31	$ 0.22
) from discontinued foreign subsidiaries' operations including y tax credit of $0.03 in 1971 (Note b)	—	—	(0.02)	(0.19)	0.07
	$ .46	$ 0.34	$ 0.30	$ 0.12	$ 0.29
ed:					
k	$ 0.50	$ 0.50	$ —	$ —	$ —
	0.05	0.05	—	2% stock	—
common and common equivalent shares outstanding (Note c)	6,796,212	6,573,088	6,746,577	6,416,272	5,970,094

(a) The Registrant, in May 1973, repurchased and retired $1,925,000 of the original placement of $6,000,000 of its 6-7/8% convertible subordinated notes at a discount from face value of 40%, which resulted in a gain after income taxes and expenses associated therewith of approximately $340,000 ($0.05 per share).

(b) The Registrant sold 81% of its French operating subsidiary as of June 30, 1973; and in December 1973, the Registrant effectively disposed of its ownership in the condominium premises occupied by the operating subsidiary. Data concerning the operations of these subsidiaries is as follows:

	For the years ended December 31,		
	1973	1972	1971
		(In thousands)	
Revenues	$ 642	$ 5,022	$ 13,945
Costs and expenses	1,060	6,216	13,512
Gain on sale of condominium interest in office building	(352)	—	—
Earnings (loss) before income taxes and extraordinary item	(66)	(1,194)	433
Foreign income tax	40	19	194
Earnings (loss) before extraordinary item	(106)	(1,213)	239
Foreign income tax reduction, resulting from loss carry-forward	—	—	167
Net earnings (loss)	$ (106)	$ (1,213)	$ 406

(c) Reference is made to Note 13 of the notes to consolidated financial statements for the basis of computing weighted average common and common equivalent shares outstanding.

(d) Reference is made to the following notes to consolidated financial statements -

Note 1 - Summary of Accounting Policies
Note 2 - Acquisitions
Note 10 - Income Taxes
Note 11 - Pension Plans
Note 12 - Incentive Compensation Plans
Note 14 - Commitments, Contingencies and Litigation

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facilities, warehouses used in connection with the storage of inventories, and servicing facilities used by the Commercial Aviation sector of the Technical Services Group. The majority of the facilities are located within the United States. In the opinion of management, the facilities employed by the Registrant are adequate for the present needs of the business. Reference is made to the consolidated financial statements, notes thereto and Schedule V for additional information concerning expenditures and lease commitments for property.

* * * * * * * * * * *

ITEM 4. PARENTS AND SUBSIDIARIES

Table III sets forth the various entities owned directly or through common control by the parent, Dynalectron Corporation. All entities are wholly owned by the parent unless otherwise indicated and are included in the consolidated financial statements except State E. G. (Central) Limited which is not material.

* * * * * * * * * * *

ITEM 5. PENDING LEGAL PROCEEDINGS

See Note 14 of notes to consolidated financial statements. Additional information regarding material legal proceedings is contained in the Registrant's Form 8-K reports filed for the months of May and June 1971, September and December 1972, October 1973, February and December 1974 and July, September and December 1975, which reports are incorporated herein by reference.

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Name of Company	Organized Under Laws of	Percentage of Voting Securities Owned by Dynalectron Corporation
Registrant		
Dynalectron Corporation	Delaware	
Corporate Subsidiaries		
Technical Services Group		
Air Carrier Service Corporation	Delaware	100%
Airtech Service, Inc.	Florida	100%
Gulf Telephone & Electronics, Inc.	Texas	100%
Servair Inc.	Delaware	100%
Servair Maintenance, Inc. (1)	New York	—
Servair of California, Inc. (2)	California	—
Electrical Group		
Continental Honduras, Inc. (3)	Delaware	33.3%
Dynalectric Company	Florida	100%
Dynalectric Company of Nevada (4)	Nevada	—
Dynalectric Supply Company	Nevada	100%
Electric Utility Construction, Inc.	Kentucky	100%
Frazier Electric Construction, Inc. (5)	Kentucky	—
Gibson Electric, Inc.	Georgia	100%
Gibson & Gibson International, Inc. (6)	Georgia	—
The Griffin Electric Company	Kentucky	100%
Kennedy Electric Co., Inc.	Colorado	100%
KEWCO, Inc. (7)	Wyoming	—
Seeger Electric Company	Delaware	100%
State E. G. (Central) Limited (8)	Canada	—
The State Electric Company Limited	Canada	100%
Vegas Valley Electric, Inc.	Nevada	100%
Hydrocarbon Group		
AFB Contractors, Inc.	California	100%
Fuller-Austin Insulation Company	Texas	100%
Fuller-Austin of Canada Limited (9)	Canada	—
HRI Engineering, Inc.	Delaware	100%
Hydrocarbon Research, Inc.	New Jersey	100%
Solar Insulators, Inc.	Texas	100%

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Inactive Subsidiaries

A & A Electric Co., Inc.	Colorado	100%
Compania de Hidrocarburos, S.A.I.C. (10)	Argentina	—
Dynalectron International, Inc.	Delaware	100%
Dytel, Limited	Bahama Islands	100%

(1) 100% owned by Servair Inc.

(2) 100% owned by Servair Inc.

(3) 33.3% interest owned by each of The Griffin Electric Company and Gibson Electric, Inc.

(4) 100% owned by Vegas Valley Electric, Inc.

(5) 100% owned by Electric Utility Construction, Inc.

(6) 100% owned by Gibson Electric, Inc.

(7) 10 % owned by Kennedy Electric Co., Inc.

(8) 50% owned by The State Electric Company Limited.

(9) 100% owned by Fuller-Austin Insulation Company.

(10) 100% owned by Hydrocarbon Research, Inc. and in liquidation.

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A. During the year ending December 31, 1975, the amount of equity securities of the Registrant outstanding increased or decreased as follows:

	Title of Class (a)		
	Common Shares (b)	Preferred Shares Series A	Series B (c)
Balance outstanding or in treasury, December 31, 1974	6,668,921	1,625	750
Increase in March, 1975 - Stock issued as additional consideration in connection with earn-out provisions of an acquired subsidiary	167,018		
Decrease in December, 1975 - Transfer to current liability in anticipation of exercise of redemption option	———	(1,625)	—
Balance outstanding or in treasury, December 31, 1975	6,835,939	—	750

	Title of Class (a)	
	8-1/4% Convertible Debentures	6-7/8% Convertible Subordinated Notes
Balance outstanding, December 31, 1974	$1,524,099	$4,075,000
Principal curtailments - January, 1975	(381,024)	
July, 1975	(355,623)	———
Balance outstanding, December 31, 1975	$ 787,452	$4,075,000

(a) Reference is made to Notes 7, 8 and 9 of notes to consolidated financial statements for additional information.

(b) Excluded from the number of shares outstanding at December 31, 1975 and 1974 are 112,500 and 279,518 shares, respectively, which have been issued into escrow.

(c) Excluded from the number of shares outstanding at December 31, 1975 and 1974, are 37,400 and 6,150 shares, respectively, which have been issued into escrow.

B. During the year ended December 31, 1975, the Registrant sold or issued the following securities or guarantees which were not registered under the Securities Act of 1933, in reliance upon an exemption from registration provided by Section 4(2) of the Act:

1. Series B Preferred Stock - 31,250 shares - Information called for in Item 6.(b) is contained in Item C of Registrant's Form 10-Q for the quarter ended March 27, 1975, and 8-K Report for the month of January 1975, which are incorporated herein by reference.

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* * * * * * * * * * *

ITEM 7. APPROXIMATE NUMBER OF EQUITY SECURITY HOLDERS

Title of Class	Approximate number of record holders at December 31, 1975
Common stock	14,808*
6 - 7/8% Convertible Subordinated Notes	9
Preferred stock, Series A	8
Preferred stock, Series B	13
3 - 1/4% Convertible Debentures	8

*Based upon registrar's records supplemented by broker requests for information for distribution to stockholders holding in street names, there are approximately 23,800 actual owners of the Registrant's common stock.

* * * * * * * * * * *

ITEM 8. EXECUTIVE OFFICERS OF THE REGISTRANT

Name	Age	Office Held
Jorge Carnicero	54	Chairman of the Board*
C. G. Gulledge	56	President and Chief Executive Officer*
M. F. Richards	55	Executive Vice President and Chief Operating Officer*
D. R. Bannister	45	Group Vice President, Technical Services Group
G. W. Ewalt	40	Group Vice President, Electrical Engineering and Contracting Group
E. W. Holdgraf	51	Group Vice President, Hydrocarbon Group
J. P. Schelling	51	Vice President and General Counsel
E. M. Constable	57	Vice President, Finance
F. J. Del Rocco	42	Vice President, Industrial Relations
J. H. Tardy	45	Vice President, Administration
D. L. Reichardt	33	Secretary and Assistant General Counsel
J. A. Stuart	50	Treasurer

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*Member, Board of Directors and Executive Committee of the Board of Directors.

Summary of Positions and Experience -

Mr. Carnicero has served as Chairman of the Board since 1955.

Mr. Gulledge has served as President since 1960 and was elected Chief Executive Officer in May 1974.

Mr. Richards was elected to his present position in May 1975, having served as Executive Vice President since 1974; prior thereto he served as Senior Vice President for two years and 13 years as Vice President, Finance.

Mr. Bannister was elected to his present position in September 1972, and for six years prior thereto was Vice President and Director of Division Operations.

Mr. Ewalt has been an officer of the Registrant since 1966 In the last six years, he has served in two positions as an Assistant Vice President: (1) Manager, Missile Range Space Program (December 1967 to October 1970) and (2) Director of Marketing (October 1970 to September 1971); and in two positions as a Vice President in charge of (1) Facilities Management from September 1971 to January 1973, and (2) the Electrical Engineering and Contracting Group from January 1973 to September 1973, at which time he was elected to his present position.

Mr. Holdgraf was employed in August 1972, as Director of the Hydrocarbon Group and was elected to his present position in September 1972. Prior to joining the Registrant, he had extensive corporate level management experience directing engineering programs, process design and operations in the chemical and petrochemical fields. Most recently he was Vice President and Engineering Manager of Stone & Webster Engineering Corporation's Process Industries Group, with responsibility over U. S. and foreign operations.

Mr. Schelling was first admitted to practice law in 1950 and has served as Vice President and General Counsel since 1961.

Mr. Constable joined the Registrant as Vice President, Corporate Development in February 1973, responsible primarily for the Registrant's acquisition program and was reassigned as Vice President, Finance in March 1975. Prior to joining the Registrant, he served as Vice President, Corporate Development with Fairchild Industries, and before that as President of Lockheed Aircraft International and Aviquipo, Inc. from 1964 until January 1972.

Mr. Del Rocco was elected Vice President to serve in his present position in September 1974, having served as Director of Corporate Industrial Relations since June 1974, and prior thereto served six years as Manager, Industrial Relations of the Registrant's Land-Air Division.

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area.

Mr. Reichardt was first admitted to practice law in 1968, was employed as a staff attorney in April 1970, and was elected to his present positions in December 1972.

Mr. Stuart was elected to his present position in December 1971 and prior thereto served eight years as Assistant Treasurer.

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ITEM 10. FINANCIAL STATEMENTS AND EXHIBITS

Financial Statements and Schedules	Page Numbers
Reports of Independent Public Accountants	20 and 21
Consolidated Statements of Earnings for the Years Ended December 31, 1975 and 1974	22
Consolidated Balance Sheets as of December 31, 1975 and 1974	23 and 24
Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 1975 and 1974	25
Consolidated Statements of Changes in Financial Position for the Years Ended December 31, 1975 and 1974	26
Notes to Consolidated Financial Statements	27 to 37
Schedule II	38
Schedule V	39
Schedule VI	40
Schedule XII	41
Schedule XVI	42

Separate financial statements of the Registrant have been omitted since the Registrant is primarily an operating company, all subsidiaries included in the consolidated financial statements are wholly owned and the indebtedness of the subsidiaries not guaranteed by the Registrant is immaterial in relation to total consolidated assets.

Schedules not filed and the reason for their omission are as follows:

Not required	:Schedules I, III, IV, VII, VIII, X and XIX
Not applicable	:Schedules XI, XIV, XV, XVII and XVIII
Incorporated in consolidated financial statements or notes thereto	:Schedules IX and XIII

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poration as amended and as in effect on October 17, 1968; (2) Certificate of Amendment adopted May 20, 1970; (3) Certificate of Amendment adopted February 27, 1973; (4) Certificate of Amendment adopted September 13, 1973; and (5) Certificate of Amendment adopted January 7, 1975.

Exhibit C - Registrant's By-Laws, as amended to date.

Exhibit D - Specimens of Registrant's Common Stock, $.10 par value (1) One Hundred Share Certificate, (2) Less-Than-One Hundred Share Certificate and (3) Unlimited Share Certificate.

Exhibit E - Specimen of Registrant's Preferred Stock, Series A, $.10 par value - Unlimited Share Certificate.

Exhibit F - Specimen of Registrant's Preferred Stock, Series B, $.10 par value - Unlimited Share Certificate.

Exhibit G - Specimen of Registrant's 8-1/4% Convertible Debenture.

Notes to Exhibits

1) Exhibit B - Item (1) and (2) are incorporated herein by reference to Amendment No. 1 to the Registrant's Form 10-K for 1970 filed under cover of Form 8 and dated April 23, 1971. Item (3) is incorporated herein by reference to the Registrant's Form 10-K for 1972 dated March 31, 1973. Item (4) is incorporated herein by reference to the Registrant's Form 10-K for 1973 dated March 31, 1974. Item (5) is incorporated herein by reference to the Registrant's Form 10-K for 1974 dated March 31, 1975.

2) Exhibit D - Items (1) and (2) are incorporated herein by reference to Amendment No. 1 to the Registrant's Form 10-K for 1970 filed under cover of Form 8 and dated April 23, 1971. Item (3) is incorporated herein by reference to the Registrant's Form 10-K for 1971 dated March 30, 1972.

3) Exhibit E is incorporated herein by reference to the Registrant's Form 10-K for 1972 dated March 31, 1973.

4) Exhibit F is incorporated herein by reference to the Registrant's Form 10-K for 1973 dated March 31, 1974.

5) Exhibit G is incorporated herein by reference to the Registrant's Form 10-K for 1974 dated March 31, 1975.

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ITEM 12. (Information not included in Registrant's proxy statement to be filed on or before April 30, 1976.)

There are no known family relationships between any of Registrant's directors or between any of its directors or executive officers.

SIGNATURE

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

DYNALECTRON CORPORATION

Date: March 30, 1976

By: /s/ ERLE M. CONSTABLE
Erle M. Constable
Vice President, Finance

DYNCORP 00229

To Dynalectron Corporation:

We have examined the consolidated balance sheets of Dynalectron Corporation (a Delaware corporation) and subsidiaries as of December 31, 1975 and 1974, and the related consolidated statements of earnings, stockholders' equity and changes in financial position for the years then ended, and the supporting schedules listed in the accompanying index (Item 10). Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of Liberia Refining Company, in which Dynalectron Corporation has made investments and advances representing 4.5% in 1975 and 5.6% in 1974 of total consolidated assets. These statements were examined by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for Liberia Refining Company, is based solely upon the report of the other auditors.

In our opinion, based upon our examination and the report of other auditors referred to above, the accompanying consolidated financial statements present fairly the financial position of Dynalectron Corporation and subsidiaries as of December 31, 1975 and 1974, and the results of their operations and changes in their financial position for the years then ended, and the supporting schedules present fairly the information required to be set forth therein, all in conformity with generally accepted accounting principles consistently applied during the periods.

ARTHUR ANDERSEN & CO.

Washington, D. C.,

March 1, 1976.

DYNCORP 00230

Board of Directors
Liberia Refining Company

We have examined the balance sheet of Liberia Refining Company as at December 25, 1975 and the related statements of income and accumulated deficit and changes in financial position for the thirteen months then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We also made a similar examination of the financial statements for the year ended November 30, 1974.

In our opinion, the aforementioned financial statements (not included separately herein) present fairly the financial position of Liberia Refining Company as at December 25, 1975 and November 30, 1974 and the results of its operations and changes in its financial position for the thirteen months and year, respectively, then ended, in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the changes, with which we concur, in the method of valuing inventories and accounting for product price adjustments, as described in Note 3 to the financial statements of Liberia Refining Company.

COOPERS & LYBRAND
Chartered Accountants

Monrovia, Liberia
January 20, 1976

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	1975	1974
REVENUES (Note 1):		
Technical services	$ 51,000	$ 58,040
Electrical engineering and contracting	88,799	88,203
Hydrocarbon engineering and construction services	36,660	15,431
	176,459	161,674
COSTS AND EXPENSES (Note 1):		
Cost of services -		
Technical services	46,128	52,094
Electrical engineering and contracting	83,617	82,975
Hydrocarbon engineering and construction services	31,633	14,331
Selling, general and administrative	6,881	6,582
	168,259	155,982
OTHER (INCOME) AND EXPENSE:		
Interest income	(420)	(427)
Interest expense	1,663	1,413
	1,243	986
Earnings before provision for income taxes	6,957	4,706
PROVISION FOR INCOME TAXES (Note 10)	3,792	2,483
Net earnings	$ 3,165	$ 2,223
EARNINGS PER COMMON SHARE AND COMMON EQUIVALENT SHARE (Note 13)	$ 0.46	$ 0.34

The accompanying notes are an integral part of these statements.

DYNCORP 00232

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 1975 AND 1974 (In thousands)

A S S E T S

	1975	1974
CURRENT ASSETS:		
Cash	$ 2,018	$ 2,471
Notes and current portion of long-term receivables	1,442	2,334
Accounts receivable (Note 3) -		
U. S. Government	3,541	3,982
Trade and other	30,580	28,751
Allowances for doubtful accounts (Schedule XII)	(732)	(596)
Contracts in process (Notes 1 and 3)	8,532	5,128
Inventories of purchased products and supplies, at lower of cost (first-in, first-out) or market	5,987	6,493
Prepaid expenses	843	629
Total current assets	52,211	49,192
LONG-TERM RECEIVABLES:		
Stockholders and officers (Note 3 and Schedule II)	283	130
Other, due through 1984, less current portion included above and allowances for possible nonrecovery of $223 in 1975 and $152 in 1974 (Schedule XII)	782	1,068
PROPERTY AND EQUIPMENT, at cost (Note 1 and Schedule V):		
Land	1,047	1,061
Buildings and leasehold improvements	4,484	3,141
Machinery and equipment	10,242	8,409
	15,973	12,611
Accumulated depreciation and amortization (Schedule VI)	(5,608)	(4,155)
Net property and equipment	10,365	8,456
INVESTMENT IN AND ADVANCES TO LIBERIA REFINING COMPANY (excluding $254 in 1975 and $307 in 1974 included in current notes receivable) (Note 4)	2,934	3,459
PATENTS AND PROCESSES (Note 1)		
COST IN EXCESS OF NET TANGIBLE ASSETS OF BUSINESSES ACQUIRED, at cost less accumulated amortization of $415 in 1975 and $244 in 1974 (Note 1)	2,965	3,144
OTHER ASSETS (including net deferred tax charges of $727 in 1975 and $541 in 1974)	1,565	2,196
	$ 71,105	$ 67,645

The accompanying notes are an integral part of these balance sheets.

DYNCORP 00233

LIABILITIES AND STOCKHOLDERS' EQUITY

	1975	1974
CURRENT LIABILITIES:		
Notes payable and current portion of long-term debt (Notes 5 and 7)	$ 2,193	$ 6,504
Accounts payable	8,252	7,491
Advances on contracts in process	6,420	4,166
Accrued income taxes, including deferred income taxes of $3,355 in 1975 and $2,872 in 1974 (Note 10)	5,060	4,246
Accrued expenses (Note 6)	7,737	6,654
Total current liabilities	29,662	29,061
LONG-TERM DEBT (Note 7):		
8-1/2% Senior promissory notes (net of unamortized discount of $106 in 1975 and $115 in 1974)	7,894	7,885
6-7/8% Convertible subordinated notes (net of unamortized discount of $29 in 1975 and $33 in 1974)	4,046	4,042
Other long-term debt, less portion due within one year	2,339	1,755
Total long-term debt	14,279	13,682
OTHER LIABILITIES AND DEFERRED CREDITS	1,923	2,026
Total liabilities	45,864	44,769
COMMITMENTS, CONTINGENCIES AND LITIGATION (Note 14)		
STOCKHOLDERS' EQUITY:		
Capital stock -		
Preferred stock, par value ten cents per share, authorized 1,000,000 shares (Note 8) -		
Outstanding 750 shares in 1975 and 2,375 shares in 1974	60	190
Held in escrow, 31,250 shares, to be released subsequent to December 31, 1976, contingent upon earnings of an acquired subsidiary	—	—
Common stock, par value ten cents per share, authorized 10,000,000 shares; outstanding or in treasury 6,835,939 shares in 1975 and 6,668,921 shares in 1974 (Note 9)	684	667
Paid-in surplus	13,689	12,828
Retained earnings (Note 7)	12,503	9,664
Common stock held in treasury, at cost: 342,416 shares in 1975 and 120,372 shares in 1974	(1,695)	(773)
Total stockholders' equity	25,241	22,876
	$ 71,105	$ 67,645

The accompanying notes are an integral part of these balance sheets.

DYNCORP 00234

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 1975 AND 1974 (In thousands)

	Preferred Stock	Common Stock	Paid-in Surplus	Retained Earnings	Treasury Stock
BALANCE, December 31, 1973	$ 190	$ 661	$13,667	$7,774	$(326)
Stock issued:					
Additional consideration in connection with earn-out provisions of an acquired subsidiary		4	137		
Employee incentive shares based on earnings		1	7		
Acquisition expenses		1	17		
Stock returned under warranty provisions of acquisition agreements					(27)
Purchase of Common Stock for treasury					(120)
Cash dividends (Note 9)				(333)	
Net earnings				2,223	
BALANCE, December 31, 1974	190	667	12,828	9,664	(473)
Stock issued as additional consideration in connection with earn-out provisions of an acquired subsidiary		17	861		
Stock returned under warranty provisions of acquisition agreements					(2)
Stock repurchased from former owners of a subsidiary under option arrangement					(1,220)
Transfer to current liability in anticipation of exercise of redemption option (Note 8)	(130)				
Cash dividends (Note 9)				(326)	
Net earnings				3,165	
BALANCE, December 31, 1975	$ 60	$ 684	$13,689	$12,503	$(1,695)

The accompanying notes are an integral part of these statements.

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	1975	1974
SOURCES OF WORKING CAPITAL:		
Net earnings	$ 3,165	$ 2,223
Items not requiring (providing) working capital -		
Depreciation and amortization of property and equipment	1,834	1,406
Deferred income taxes (noncurrent portion)	(186)	(871)
Deferred compensation	391	1,711
Other	173	213
Working capital provided from operations	5,377	4,682
Issuance of long-term debt	674	3,062
Issuance of stock	878	167
Disposals of property and equipment	899	390
Total sources	7,828	8,301
APPLICATIONS OF WORKING CAPITAL:		
Investment in property and equipment	3,398	3,718
Repayment of long-term debt	719	411
Purchase of treasury stock	1,222	120
Payment of cash dividends	326	333
Noncurrent assets and liabilities of acquired companies -		
Property and equipment	621	1,234
Long-term debt	(306)	(192)
Other	79	75
Increase in cost in excess of net tangible assets of businesses acquired	—	1,250
Other, net	(649)	1,160
Total applications	5,410	8,109
INCREASE IN WORKING CAPITAL	2,418	192
Working capital, beginning of year	20,131	19,939
WORKING CAPITAL, END OF YEAR	$ 22,549	$ 20,131
CHANGES IN WORKING CAPITAL:		
Increase (decrease) in working capital:		
Cash	$ (453)	$ 477
Notes and current portion of long-term receivables	(892)	846
Accounts receivable	1,252	8,004
Contracts in process	3,404	699
Inventories	(506)	1,454
Prepaid expenses	214	138
Notes payable and current portion of long-term debt	4,311	(5,803)
Accounts payable	(761)	(1,684)
Advances on contracts in process	(2,254)	(1,057)
Accrued income taxes	(814)	(1,458)
Accrued expenses	(1,083)	(1,424)
INCREASE IN WORKING CAPITAL	$ 2,418	$ 192

The accompanying notes are an integral part of these statements.

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(1) SUMMARY OF ACCOUNTING POLICIES

Principles of Consolidation - The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. All significant intercompany accounts and transactions have been eliminated.

Translation of Foreign Currencies - Accounts of the Company's foreign operations have been translated into United States dollars at the year-end exchange rate for cash, receivables and payables and at the exchange rates prevailing at the transaction dates for other balance sheet accounts and for revenue and expense accounts. Translation gains and losses are recognized in the year of occurrence. The Company recorded net translation losses of approximately $118,000 in 1975 and $60,000 in 1974.

Property and Equipment - The Company generally computes depreciation and amortization on a straight-line basis over the estimated service life for property and equipment. Estimates currently used, by type of property, are:

Type of Property	Estimated Life
Buildings	15 - 33 years
Machinery and equipment	2 - 10 years
Leasehold improvements	Term of lease

Cost of property and equipment sold or retired and the related reserves for depreciation or amortization are removed from the accounts in the year of disposal, and any gains or losses are reflected in the consolidated statement of earnings. Expenditures for maintenance and repairs are charged to expense as incurred, and major additions and betterments are capitalized.

Cost in Excess of Net Tangible Assets of Businesses Acquired - The Company generally amortizes the cost in excess of net tangible assets of businesses acquired on a straight-line basis over a 40-year period. The Company recorded amortization of $160,000 in 1975 and $113,000 in 1974.

Accounting for Joint Ventures - The Company generally uses the equity method of accounting with respect to its joint venture activities with other companies.

Contract Accounting - Contracts in process are stated at actual cost incurred plus accrued profits or at net estimated realizable value (whichever is lower) reduced by progress billings. The Company records income from major construction and engineering contracts, which may extend over more than one accounting period, using a labor-based percentage-of-completion method. Losses on contracts are recognized as soon as they become known. Proceeds from claims against customers, as well as adjustments arising out of construction and engineering contracts, are recorded at the time collectibility becomes reasonably assured.

Income Taxes - The Company and its domestic subsidiaries file a consolidated Federal income tax return. Deferred income taxes arise from timing differences between the book and tax recognition of certain income and expense items. The Company uses the flow-through method of accounting for investment credits. Accordingly, the provisions for income taxes in the accompanying consolidated statements of earnings have been reduced by approximately $80,000 and $83,000 for 1975 and 1974, respectively.

Research and Development - Patents and processes are carried at a nominal value. The Company expensed research and development costs for its own account of $17,000 in 1975 and $187,000 in 1974.

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petroleum, food processing and water treatment construction projects.

Consolidated revenues, net earnings and earnings per share, adjusted on an unaudited pro forma basis to include data for AFB as though it had been acquired at the beginning of 1974, are as follows:

	1974 (In thousands)
Revenues	$169,832
Net earnings	$ 2,359
Earnings per common share and common equivalent share	$ 0.34

Reference is made to Note 8 for additional information concerning the AFB acquisition.

Information necessary to adjust the income data for companies purchased in July 1974 is not available due to a change in accounting method of the acquired companies from the completed contract to the percentage-of-completion method at the date of purchase, and, accordingly, the 1974 operating results have not been presented on a pro forma basis to reflect these acquisitions as though they had occurred at the beginning of 1974.

Revenues and net earnings, included in the consolidated statements of earnings, for companies purchased in 1975 and 1974, are as follows:

	1975	1974
	(In thousands)	
Revenues	$29,332	$11,201
Net earnings	$ 1,324	$ 226

(3) RECEIVABLES AND CONTRACTS IN PROCESS

Accounts receivable includes contractual retentions of approximately $7,370,000 in 1975 and $6,297,000 in 1974. Approximately $719,000 in 1975 and $940,000 in 1974 of the retentions were expected to be collected after one year.

Included in contracts in process at December 31, 1975 and 1974, are amounts aggregating approximately $2,37 ,000 and $1,526,000, respectively, relating primarily to the following:

- overhead and other indirect costs incurred in excess of amounts billable under provisional rates on Government contracts, which amounts cannot be billed until audits by and negotiations with Government agencies have been completed;
- accrued award fees on Government contracts recorded at estimated amounts;
- claims for reimbursement of additional costs resulting from extension of Government contracts, currently under negotiation; and
- an amount relating to a contract which is currently under arbitration.

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diaries consisted of the following:

Terms	Current	Long-Term	Interest Rate
	(In thousands)		
Payable on or before July, 1980	$—	$ 76	6%
Payable through April, 1979	47	142	9%
Payable through November, 1979	—	25	8%
Payable on or before June, 1980	—	40	9½%
	$47	$283	

The 9% note is secured by 98,680 shares of the Company's common stock which were issued to the former owner in connection with the acquisition of the subsidiary.

(4) LIBERIA REFINING COMPANY

Liberia Refining Company (LRC) has an exclusive right, granted by the Liberian Government, to operate an oil refinery located in Liberia. At the end of 1993, the ownership of the refinery reverts to the Liberian Government. At December 31, 1975, the Company had unrestricted ownership of 18% of LRC stock, and, in addition thereto, 12% is in escrow for distribution to Liberian nationals and a nonprofit Liberian organization. The Company has a contractual interest (carried at zero book value) to share in the proceeds from the escrow, which are contingent on future dividends from LRC.

At December 31, 1975, the Company's investment in and advances to (accounted for on a cost basis) plus guarantees in support of LRC was $4,088,000. Approximately $900,000 is in the form of guarantees of credit for LRC and the balance of $3,188,000 includes the unamortized amount of the Company's equity investment (being amortized ratably through 1993) and a 7.81% note. The note has a remaining balance of $2,282,000, is due in semiannual installments through 1984, and is secured by a first mortgage on the refinery.

The concession under which LRC operates gives the Government of Liberia jurisdiction over refinery prices and commits the Government to maintain a pricing structure which will generate profitable operations for the refinery. Since a product price adjustment procedure was established early in 1974, operations have been profitable and cumulative losses have been significantly reduced.

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		(In thousands)
Maximum borrowing capacity (at prime interest rate)	$12,600	$10,750
Monthly weighted average borrowings outstanding during the year	$ 3,998	$ 2,235
Monthly weighted average interest paid	8.8%	10.9%
Maximum borrowings outstanding at any month end	$ 6,300	$ 5,600
Borrowings outstanding, December 31	$ 950	$ 4,075
Weighted average interest on December 31 borrowings outstanding	7.3%	10.4%

(6) ACCRUED EXPENSES

At December 31, 1975 and 1974, accrued expenses consisted of the following:

	1975	1974
	(In thousands)	
Salaries and wages	$3,981	$3,490
Payroll and miscellaneous taxes	1,166	1,061
Interest	217	300
Other	2,373	1,803
	$7,737	$6,654

(7) LONG-TERM DEBT

Long-term debt under various loan agreements is summarized as follows:

$8,000,000 - 8-1/4% Senior Promissory Notes

The agreement provides for payments in annual installments during the period 1977 through 1988. The Company may, subject to certain restrictions, prepay the notes at prices decreasing from 105.7% of principal in 1976 to 100% in 1987.

$4,075,000 - 6-7/8% Convertible Subordinated Notes

The agreement provides for payments of $407,500 annually commencing in 1979 and the Company may, subject to certain restrictions, prepay the notes at prices decreasing from 104.4% of principal in 1976 to 100% in 1988. The notes are convertible into common stock at $13.93 per share (subject to periodic adjustment under antidilution provisions).

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The amount of retained earnings unrestricted as to cash dividends was $2,530,000 at December 31, 1975. The Company, without approval, is restricted as to issuance of additional funded debt or redeemable preferred stock until a specified percentage of funded debt to net tangible assets has been restored.

At December 31, 1975 and 1974, other long-term debt, exclusive of the current portion, consisted of the following:

	1975	1974
	(In thousands)	
Notes issued in connection with acquisitions:		
Semiannual installments of $203,213 with final installment of $177,812 due July 1, 1977, interest at 8¼%*	$ 381	$ 787
Semiannual installments of $50,400 with final installment due July 5, 1978, interest at 8¼%	202	302
Payable in June, 1978, contingent upon satisfaction of warranties including a guaranteed average earnings level, interest at 8¼%	305	305
Semiannual installments of $6,750 commencing in 1979, interest at 9%	135	—
Semiannual installments through 1988, net of imputed interest at 9% of $256,000	533	—
Real Estate mortgage loans, due in monthly installments, including interest at rates from 6% to 10% through 2000	623	238
Other, principally equipment notes and capitalized equipment lease, payable through 1984 at various interest rates	160	123
	$2,339	$1,755

*Convertible at $8 per share.

Maturities of long-term debt for years subsequent to December 31, 1975, are as follows:

YEAR ENDED	8¼% SENIOR AND 6-7/8% CONVERTIBLE NOTES	OTHER LONG-TERM DEBT	TOTAL
	(In thousands)		
1976	$ —	$741	$ 741
1977	400	812	1,212
1978	400	584	984
1979	807	96	903
1980	1,008	84	1,092
After 1980	9,460	763	10,223

DYNCORP 00241

a rate of ten shares of common for each share of preferred and participate in cash dividends with common shares at a rate of ten to one. The Company can require conversion of the preferred stock to common stock after two years from date of issuance if the market price of its common stock is $10 or more for a period of thirty days.

Series "A" (issued April 6, 1973) is non-voting and is redeemable in cash at the option of the holder after three years at the liquidation preference value plus 5% per annum from the date of issuance less any cash dividends received. The recorded value of the Series "A" shares ($130,000), which are redeemable within one year, has been reclassified as a current liability at December 31, 1975.

Series "B" shares (750 shares issued September 21, 1973) have one vote per share and are also redeemable in cash at the option of the holder during a period of 210 days commencing with the beginning of the sixtieth month from date of issuance at the liquidation preference value plus 6% per annum from the date of issuance, less any cash dividends received.

In connection with the purchase of AFB Contractors, 31,250 shares of Series "B" convertible preferred stock were issued into escrow representing the maximum contingent consideration payable for AFB. These shares will be held in escrow for a period of three years and nine months from the date of closing to secure the Company against undisclosed liabilities and breach of certain representations and warranties, including maintenance of a specified average annual earnings level for three years ending December 31, 1976. As of December 31, 1975, the Company estimates that approximately 24,800 shares would be issuable in connection with the acquisition if the current level of earnings is maintained through the earnings period.

The shares of the Company's preferred stock which may ultimately be released from escrow as consideration for the outstanding stock of AFB will be accounted for at the liquidation preference value of $80 per share at such time as the contingencies regarding their release are determinable beyond reasonable doubt and cost in excess of net tangible assets of businesses acquired will increase by a corresponding amount.

The Company has established an incentive stock bonus plan for key employees of AFB, whereby up to 31,250 additional shares of Series "B" convertible preferred stock could be issued to plan participants, depending on the level of earnings over the three-year period ending December 31, 1979, in excess of the specified earnings level for establishing the maximum contingent purchase price for AFB.

The preferred stock which may be required to be issued pursuant to the incentive stock bonus plan will also be accounted for at $80 per share at the time it becomes issuable to plan participants.

DYNCORP 00242

Conversion of 6-7/8% subordinated notes at $13.93 per share	292,534
Conversion of 8-1/4% convertible debentures	98,432
Conversion of 71,025 shares of convertible preferred stock	710,250
Employee stock options	405,040
Incentive compensation plans and employment contracts, contingent on future earnings of acquired companies	1,236,500
	2,742,756

Under the Company's stock option plans, qualified options to purchase the Company's common stock may be granted to officers and key employees at an amount not less than market value on date of grant. These options are generally exercisable two years after grant and expire five years after grant. Options exercisable at December 31, 1975, expire as follows: 3,060 shares in 1976, 12,200 in 1977, and 178,063 in 1978.

The following table summarizes the current year's option activity:

	Shares
Outstanding options at December 31, 1974	297,374
Options granted during the year	6,000
Options cancelled or expired during the year	(11,251)
Outstanding options at December 31, 1975	292,123

Details with respect to options issued under the plans are as follows:

	1975	1974
	(In thousands)	
Options outstanding at end of year -		
Number	292,123	297,374
Option price and market price at date of grant -		
Per share	$1.94-$7.60	$1.94-$7.60
Total	$1,089,000	$1,114,000
Options which became exercisable during the year -		
Number	178,063	12,200
Option price -		
Per share	$2.94-$3.85	$3.94-$4.69
Total	$666,000	$56,000
Market price at dates options became exercisable -		
Per share	$2.62-$3.25	$2.06-$2.56
Total	$511,000	$30,000

There were no options exercised in 1975 or 1974. Upon exercise, the proceeds in excess of the $.10 par value of the shares are credited to paid-in surplus.

DYNCORP 00243

preferred share on April 28, 1975 and April 22, 1974, to shareholders of record on April 4 and March 29, respectively.

(10) INCOME TAXES

Income tax expense consists of the following:

	Tax Expense (In thousands)					
	1975			1974		
	Current	Deferred	Total	Current	Deferred	Total
Federal	$1,748	$(253)	$1,495	$1,314	$(401)	$ 913
Foreign	1,972	(58)	1,914	1,306	—	1,306
State	431	(48)	383	332	(68)	264
	$4,151	$(359)	$3,792	$2,952	$(469)	$2,483

Deferred taxes, resulting from timing differences in the recognition of revenues and expenses for tax and financial statement purposes, are as follows:

	1975	1974
	(In thousands)	
Revenues recognized on book method of accounting (primarily percentage-of-completion) but deferred on tax return	$ 18?	$ 519
Deferred compensation expense not deductible on tax return until paid	(228)	(940)
Warranty and other reserves not deductible on tax return until paid	(300)	(84)
Difference between tax and book depreciation	(24)	1
Other	11	35
	$(359)	$(469)

Total tax expense in 1975 and 1974 was greater than the amounts obtained by applying the U.S. Federal income tax rate of 48% to the respective income before tax amounts. The differences (in percentages) can be reconciled as follows:

	Percent of Pretax Income	
	1975	1974
Computed "expected" tax expense	48.0%	48.0%
State and local income taxes, net of Federal income tax benefit	2.9	2.9
Other, net	3.6	1.9
Actual expense	54.5%	52.8%

DYNCORP 00244

The Company's U.S. Income Tax returns have been examined and settled through 1971. The Internal Revenue Service has notified the Company that it plans to commence review of the Company's 1972 and 1973 returns in March, 1976. In the opinion of management, the results of this review will not have a material adverse affect on the Company's financial position.

(11) PENSION PLANS

The Company and its subsidiaries provide funds for pension and/or profit sharing retirement plans covering most employees. Certain of these are union plans, the payments to which are limited by the related union contracts to fixed amounts per hours worked by covered employees. The non-union plans generally provide that employees are eligible for retirement at age 65. The Company's present policy is to fund the current year's normal cost of such plans plus a portion of the prior service cost accrued. The unfunded prior service costs of the non-union plans, based on the latest available actuarial reports, amount to approximately $845,000 and are being amortized over 30 years. The approximate cost of the non-union plans, included in costs and expenses in the accompanying consolidated statements of earnings, was $563,000 in 1975 and $427,000 in 1974, including amortization of prior service costs. The net assets of the respective non-union pension funds exceeded the actuarially computed value of participants vested benefits at December 31, 1975.

The Pension Reform Act of 1974 requires the Company to amend its pension plans to conform with certain provisions of the Act, which will become effective in 1976. The Company believes that the effect on annual pension costs for 1976 and subsequent years resulting from this amendment will not be significant.

(12) INCENTIVE COMPENSATION PLANS

The Company and its subsidiaries have established certain incentive compensation plans. The most significant plans, which generally cover officers and key employees, are:

Management Incentive Compensation Plan (Management Plan)

The Management Plan is administered by a committee composed of the Chairman of the Board and three outside directors. The maximum amount that can be distributed under the plan is equal to 10% of the Company's net earnings (as defined) during the year in excess of 12% of the Company's average capital investment (as defined), plus an additional amount not to exceed .5% of the Company's consolidated quarterly revenues. Individual awards are discretionary but may not exceed 70% of annual base compensation.

Profit Sharing Plan for Operating Divisions and Subsidiaries (Profit Sharing Plan)

The Profit Sharing Plan is administered by the President of the Company. The maximum amount that can be distributed under the Plan, unless otherwise approved by the Executive Committee of the Board is equal to 5% of the earnings base (as defined) of each participating division or subsidiary. No participant under the Profit Sharing Plan is eligible to receive compensation thereunder in an amount in excess of 50% of said participant's base salary for the year.

DYNCORP 00245

of time (generally three or four years). In addition, certain subsidiaries not covered under the Profit Sharing Plan have established their own individual profit sharing plans.

The aggregate amount of incentive compensation expense included in the consolidated statements of earnings was as follows:

	1975	1974
	(In thousands)	
Management plan	$ 547	$ 402
Profit sharing plan	342	292
Other plans	1,029	2,347
	$1,918	$3,041

(13) EARNINGS PER SHARE

Earnings per share are based on the weighted average number of common shares and dilutive common equivalent shares outstanding during the respective years. The weighted average number of common shares and common equivalent shares for 1975 and 1974 were 6,796,212 and 6,573,088, respectively. There is no dilution of earnings per share under the fully diluted per share computation.

(14) COMMITMENTS, CONTINGENCIES AND LITIGATION

The Company, and certain of its wholly-owned subsidiaries, are parties to various civil lawsuits which have arisen in the normal course of business. While it is not possible to predict with certainty the outcome of such litigation, it is the opinion of Company management, based in part upon opinions of counsel and insurance in force, that liability, if any, arising from such lawsuits would not individually or in the aggregate have a material adverse effect on the consolidated financial position of the Company.

A substantial part of the Company's business is with departments and agencies of the U. S. Government and is subject to the Renegotiation Act of 1951. The Company has been cleared by the Renegotiation Board through 1970. In addition, the Company frequently extends patent indemnity commitments and performance guarantees in connection with the licensing of processes. In the opinion of management, the consolidated financial position of the Company will not be materially adversely affected by such matters.

Rentals for leased property and equipment were approximately $2,200,000 in 1975 and $1,839,000 in 1974.

As of December 31, 1975, the Company was committed under leases having an unexpired term of one year or more expiring on various dates through 1990. These leases require annual rentals as follows:

Period	Operation and Office Facilities	Aircraft Ground Handling Equipment	Total
	(In thousands)		
1976	$ 983	$321	$1,304
1977	845	321	1,166
1978	725	321	1,046
1979	712	49	761
1980	600	47	647
1981-1985	2,174	4	2,178
1986-1990	993	—	993

DYNCORP 00246

DYNCORP 00247

DYNALECTRON CORPORATION AND SUBSIDIARIES

SCHEDULE II - AMOUNTS RECEIVABLE FROM UNDERWRITERS, PROMOTERS, DIRECTORS, OFFICERS, EMPLOYEES

D PRINCIPAL HOLDERS (OTHER THAN AFFILIATES) OF EQUITY SECURITIES OF THE PERSON AND ITS AFFILIATES

FOR THE YEARS ENDED DECEMBER 31, 1975 AND 1974 (In thousands)

	Balance at beginning of period	Additions	Deductions		Balance at end of period	
			Amounts Collected	Amounts Written Off	Current	Not Current
			December 31, 1975			
.	$210	$ —	$(21)		$47	$142
	25	40				65
		76				76
	$235	$116	$(21)		$47 (1)	$283 (1)
			December 31, 1974			
r.	$220		$(10)		$105	$105
	25					25
	$245		$(10)		$105	$130

of Notes to Consolidated Financial Statements.

DYNCORP 00248

DYNALECTRON CORPORATION AND SUBSIDIARIES

SCHEDULE V - PROPERTY AND EQUIPMENT

FOR THE YEARS ENDED DECEMBER 31, 1975 AND 1974 (In thousands)

Classification	Balance at beginning of period	Additions at cost	Retirements or sales	Other changes - add (deduct)	Balance at end of period
December 31, 1975					
dings and leasehold improvements	$ 1,061	$ 213 (1)	$ (71)	$ 44 (2)	$ 1,247
inery and equipment	3,141	1,401 (1)	(327)	269 (2)	4,484
	8,409	2,407	(282)	303 (2)	10,242
	$12,611	$4,021	$(1,280)	$621	$15,973
December 31, 1974					
dings and leasehold improvements	$ 676	$ 92	$(17)	$ 310 (2)	$ 1,061
inery and equipment	2,067	687	(99)	486 (2)	3,141
	5,762	2,939	(730)	438 (2)	8,409
	$ 8,505	$3,718	$(846)	$1,234	$12,611

	Land		Buildings and leasehold improvements		Machinery and equipment	
	1975	1974	1975	1974	1975	1974
(1) Includes reclassification from Other Assets to operating property	$ 40		$533			
(2) Cost of property and equipment, on dates of acquisition, of companies purchased as follows:						
Fuller-Austin Insulation Company	$ —	$310	$ —	$436	$ —	$405
Solar Insulators, Inc.						33
AFB Contractors, Inc.	44		269		302	
	$ 44	$310	$269	$436	$302	$438

DYNCORP 00249

DYNALECTRON CORPORATION AND SUBSIDIARIES

SCHEDULE VI - ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY AND EQUIPMENT

FOR THE YEARS ENDED DECEMBER 31, 1975 AND 1974 (In thousands)

on	Balance at beginning of period	Additions charged to cost and expense	Retirements or sales	Other changes - add (deduct)	Balance at end of period
		December 31, 1975			
sehold improvements ipment	$ 740 3,415 $4,155	$ 358 1,476 $1,834	$(128) (253) $(381)		$ 970 4,638 $5,608
		December 31, 1974			
sehold improvements ipment	$ 551 2,546 $3,097	$ 214 1,192 $1,406	$(25) (323) $(348)		$ 740 3,415 $4,155

DYNALECTRON CORPORATION AND SUBSIDIARIES

SCHEDULE XII - RESERVES

FOR THE YEARS ENDED DECEMBER 31, 1975 AND 1974 (In thousands)

Description	Balance at beginning of period	Additions		Deductions	Balance at end of period
		Charged to costs and expenses	Charged to other accounts		
December 31, 1975					
Allowance for doubtful accounts	$596	$410 (B)	$28 (1)(3)	$(302) (2)	$732
Allowance for possible nonrecovery of long-term receivables	152	40 (C)	31 (1)		223
	$748	$450	$59	$(302)	$955
December 31, 1974					
Allowance for doubtful accounts	$454	$483 (A)	$ 15 (1)	$(356) (2)	$596
Allowance for possible nonrecovery of long-term receivables	217			(65) (2)	152
	$671	$483	$ 15	$(421)	$748

NOTES:

(1) Charged to unbilled costs, overhead and other.
(2) Write-off of uncollectible accounts.
(3) Includes reserve on date of acquisition of company acquired and accounted for by purchase.
(4) The consolidated statements of earnings include the following provisions (credit) for doubtful accounts for the years ended December 31, 1975 and 1974:

	1975	1974
	$410 (B)	$483 (A)
	40 (C)	
	450	483
Add: Write-offs charged to expense	53	7
Less: Recovery of amounts previously written-off	(5)	(6)
	$493	$484

DYNCORP 00251

DYNALECTRON CORPORATION AND SUBSIDIARIES

SCHEDULE XVI - SUPPLEMENTARY INCOME STATEMENT INFORMATION

FOR THE YEARS ENDED DECEMBER 31, 1975 AND 1974 (In thousands)

Item	Charged to costs and expenses	
	1975	1974
income taxes -	$4,369	$3,233
	539	444
enance	1,823	1,545

supplementary income statement information are omitted because they constitute less than one percent of total enues as reported in the consolidated statements of earnings or they are separately disclosed elsewhere herein.

DYNCORP 00252

Changes in supplementary profit and loss items are explained as follows:

a) Repairs and maintenance, depreciation and amortization of property and equipment, other taxes and rents.

The total of these items was $10.8, $8.5 and $6.5 million for 1975, 1974 and 1973 respectively. The increase in these items resulted from (i) the purchase of the Fuller companies in July, 1974 and the purchase of AFB Contractors, Inc. in January, 1975; (ii) the increase in wages subject to the FICA tax for all years; and (iii) the Registrant's continued investment in property and equipment.

b) Research and development.

The Registrant expensed research and development costs of $17,000, $187,000 and $1,371,000 in 1975, 1974 and 1973 respectively. The significant decrease between years resulted from the awarding of the current H-Coal contract by ERDA for which work started in the fall of 1974. Prior to the awarding of the current contract, expenses associated with the project were classified as research and development costs and revenue to support same was raised by selling access and certain other rights to the technological developments to major oil companies. As all activities relating to the project are now performed under contract, the expenses are charged to normal operating accounts.

c) Amortization of cost in excess of net tangible assets of businesses acquired.

Charges to expense for the above were $160,000, $113,000 and $69,000 in 1975, 1974 and 1973 respectively. The increase in 1975 was due mainly to an accelerated write-off of goodwill associated with a certain non-profitable subsidiary. The Company, however, generally amortizes goodwill on a straight-line basis over a 40-year period. In 1974, the increase was attributable to the large increase (and resulting amortization of) cost in excess of net tangible assets of businesses acquired occasioned by the Company's acquisition recording policy.

DYNCORP 00253

Common stock equivalents and other potentially dilutive securities	401,560	8,944	294,630	364,711	201,839
Weighted average number of shares	6,895,173	6,573,088	6,748,802	6,417,727	5,973,919
Earnings per share:					
Earnings from continuing operations	$ 0.46	$ 0.34	$ 0.32	$ 0.31	$ 0.22
Earnings (loss) from discontinued foreign subsidiaries' operations, including extraordinary tax credit of $0.07 in 1971	—	—	(0.02)	(0.19)	0.07
Net earnings	$ 0.46	$ 0.34	$ 0.30	$ 0.12	$ 0.29

NOTES:

(1) The average number of outstanding shares has been computed by adding the number of shares outstanding as of January 1 of each year and the number of shares outstanding at the end of each month during the year divided by 13.

(2) Common stock equivalents include outstanding stock options at prices below the average market price for the quarter (closing price for fully diluted), reduced by the number of shares that could be reacquired from the proceeds received from the exercise of these options under the treasury stock method. The resulting number of common stock equivalents of each quarter are added and the sum is divided by four. In addition, included in all years presented as common stock equivalents (both primary and fully diluted) are those contingent shares, which the condition for their issuance is currently being met.

(3) Convertible preferred stock, issued in 1973, has been excluded from earnings per share computations in 1974 and 1973 (both primary and fully diluted) because the effect of their inclusion would have been to increase earnings per share. In 1975, outstanding preferred stock is dilutive and accordingly has been included in both primary and fully diluted computations. Additionally, preferred shares earned, but issued into escrow (reference is made to Note 8 of the notes to consolidated financial statements), have been included in both primary and fully diluted computations in 1975 as their effect is dilutive. An adjustment decreasing reported net earnings by approximately $49,000 is required to reflect imputed goodwill involved in the assumed issuance of shares earned.

(4) Convertible debentures (issued in 1974) have been excluded from primary earnings per share computations because they are classified as senior securities (the yield at the time of issuance was greater than 66-2/3% of the prime interest rate). They have been excluded from the fully diluted earnings per share computation in 1974 because the effect of their inclusion would have been to increase earnings per share. In 1975, they are dilutive and accordingly, approximately 98,000 shares have been added in the fully diluted computation. An adjustment increasing reported net earnings by approximately $32,000 is required to give effect to interest (net of income taxes) attributable to the debentures.

(5) Convertible notes ($3,350,000 issued in 1968 and $2,650,000 issued in 1969, less $1,925,000 repurchased in 1973) have been excluded from primary earnings per share computations because they are classified as senior securities (the yield at the time of issuance was greater than 66-2/3% of the prime interest rate). They have been excluded from fully diluted earnings per share computations because the effect of their inclusion would have been to increase earnings per share.

(6) Under terms of an incentive plan based on earnings, the former owners of certain acquired companies can earn an additional $2,700,000 payable in 1978 either in cash or common stock at the option of the Registrant. The earnings level of these acquired companies since acquisition is sufficient to project attainment of the maximum amount. It is the intention of the Registrant to satisfy this contingent obligation in cash unless the market price of the Registrant's common stock at the time of payment is in excess of the recent historical market price. Accordingly, the weighted average number of common and common equivalent shares outstanding does not include any shares for future satisfaction of this contingency.

(7) Outstanding shares have been retroactively restated for a 2% stock dividend declared February 9, 1972.

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

EXHIBIT C

TO

FORM 10-K, ANNUAL REPORT FOR 1975

OF

DYNALECTRON CORPORATION

File No. 1-3879-2

DYNALECTRON CORPORATION

BY-LAWS.

AS AMENDED TO DATE

DYNALECTRON CORPORATION

By-Laws

Offices

1. The principal office shall be in the City of Wilmington, County of New Castle, State of Delaware, and the name of the resident agent in charge thereof is the Corporation Trust Company.

2. The Corporation may also have an office in the City of San Francisco, State of California, and also offices at such other places as the Board of Directors may from time to time determine or the business of the Corporation may require.

STOCKHOLDERS' MEETINGS

3. All meetings of the Stockholders for the election of Directors shall be held at the office of the Corporation in Washington, D.C., or at such other place in the City of Washington as shall be stated in the notice of the meeting. Meetings of Stockholders for any other purpose may be held at such place and time as shall be stated in the notice of the meeting.

4. An Annual Meeting of Stockholders shall be held on the third Wednesday of May in each year if not on a legal holiday, then on the next secular day following, at 1:30 p.m., at which they shall elect by a plurality vote, by ballot, a Board of Directors, and transact such other business as may properly be brought before the meeting.

5. Written notice of the Annual Meeting shall be served upon or mailed to each stockholder entitled to vote thereat at such address as appears on the books of the Corporation, at least ten days prior to the meeting.

6. At least ten days before every election of Directors, a complete list of the stockholders entitled to vote at said election, arranged in alphabetical order,

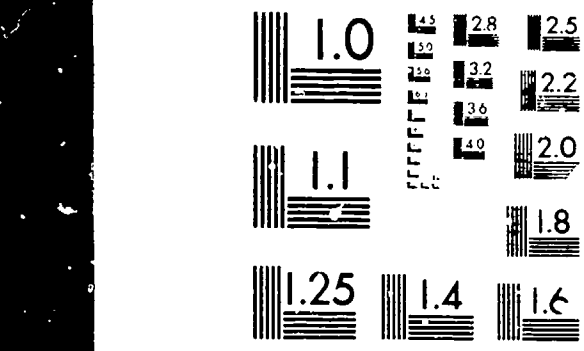
with the residence of each and the number of voting shares held by each, shall be prepared by the Secretary. Such list shall be open at the place where the election is to be held for said ten days, to the examination of any stockholder, and shall be produced and kept at the time and place of election during the whole time thereof, and subject to the inspection of any stockholder who may be present.

7. Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by statute or by the Certificate of Incorporation, may be called by the President and shall be called by the President or Secretary at the request in writing of a majority of the Board of Directors, or at the request in writing of stockholders owning a majority in amount of the entire capital stock of the Corporation issued and outstanding and entitled to vote. Such request shall state the purpose or purposes of the proposed meeting.

8. Written notice of a special meeting of stockholders, stating the time and place and object thereof, shall be served upon or mailed to each stockholder entitled to vote thereat at such address as appears on the books of the Corporation, at least ten days before such meeting.

9. Business transacted at all special meetings shall be confined to the objects stated in the call.

10. The holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall be requisite and shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute, or by the Certificate of Incorporation or by these By-Laws. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn



MICROCOPY RESOLUTION TEST CHART
NATIONAL BUREAU OF STANDARDS 1963 A

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the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented any business may be transacted which might have been transacted at the meeting as originally notified.

11. When a quorum is present at any meeting, the vote of the holders of a majority of the stock having voting power present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one upon which by express provision of the statutes or of the Certificate of Incorporation or of these By-Laws, a different vote is required in which case such express provision shall govern and control the decision of such question.

12. At any meeting of the stockholders every stockholder having the right to vote shall be entitled to vote in person, or by proxy appointed by an instrument in writing subscribed by such stockholder and bearing a date not more than three years prior to said meeting, unless said instrument provides for a longer period. Each stockholder shall have one vote for each share of stock having voting power, registered in his name on the books of the Corporation, and except where the transfer books of the Corporation shall have been closed or a date shall have been fixed as a record date for the determination of its stockholders entitled to vote, no share of stock shall be voted on at any election of Directors which shall have been transferred on the books of the Corporation within twenty days next preceding such election of Directors.

13. Whenever the vote of stockholders at a meeting thereof is required or permitted to be taken in connection with any Corporate action by any provisions of the statutes or the Certificate of Incorporation of these By-Laws, the meeting and vote of stockholders may be dispensed with, if all the stockholders who would have been

entitled to vote upon the action if such meeting were held, shall consent in writing to such corporate action being taken.

DIRECTORS

14. The number of Directors which shall constitute the whole Board shall be ten (10). The Directors shall be elected at the Annual Meeting of the Stockholders, and each Director shall be elected to serve until his successor shall be elected and qualify.

15. The Directors may hold their meetings and keep the books of the Corporation, except the original or duplicate stock ledger, outside of Delaware, at the office of the Corporation in the City of San Francisco, California, or at such other places as they may from time to time determine.

16. If the office of any Director or Directors becomes vacant by reason of death, resignation, retirement, disqualification, removal from office, or otherwise, a majority of the remaining Directors though less than a quorum, shall choose a successor or successors, who shall hold office for the unexpired term in respect to which such vacancy occurred or until the next election of Directors.

17. The property and business of the Corporation shall be managed by its Board of Directors which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Certificate of Incorporation or by these By-Laws directed or required to be exercised or done by the stockholders.

COMMITTEES OF DIRECTORS

18a. The Board of Directors at its first meeting after each annual meeting of the stockholders shall designate one or more of its members who together with the Chairman of the Board and the President shall constitute the Executive Committee of the Board of Directors. The Executive Committee shall have and may exercise all of the powers of the Board of Directors as may be lawfully delegated in the management of the business and affairs of the corporation and shall have the power to authorize the seal of the corporation to be affixed to all papers which may require it.

18b. The Board of Directors may, by resolution or resolutions passed by a majority of the whole Board, designate one or more additional committees consisting of two or more of the Directors of the Corporation. Such additional committee or committees shall have and may exercise such powers and shall have such names as are provided in said resolution or resolutions.

19. The committees shall keep regular minutes of their proceedings and report the same to the Board when required.

ADVISORY DIRECTORS

20. The Board of Directors may appoint Advisory Directors whose experience and knowledge would be useful to the Board, said Advisory Directors to be former members of the Board or current shareholders. Such Advisory Directors shall be no more than four (4) in number and shall serve at the pleasure of the Board with terms expiring as of each Annual Meeting of Shareholders. Advisory Directors shall be given notice of and may attend meetings

of the Board of Directors, but shall not be considered a member of the Board of Directors. Advisory Directors shall have no right to vote, and shall not be counted in determining whether a quorum is present at any meeting. Advisory Directors shall not be charged with responsibilities, nor shall they be subject to the liabilities of Directors. An Advisory Director may be appointed as an Advisory Member of any Committee of the Board.

COMPENSATION OF DIRECTORS AND ADVISORY DIRECTORS

21(a) Directors, as such, shall not receive any stated salary for their services, but, by resolution of the Board, may be allowed an annual fee and/or a fixed sum for attendance at each regular or special meeting of the Board, together with any expenses of attendance; provided that nothing herein contained shall be construed to preclude any Director from serving the Corporation in any other capacity and receiving compensation therefor.

21(b) Members of special or standing committees may be allowed like compensation for attending committee meetings.

21(c) Advisory Directors by resolution of the Board may also be allowed an annual fee and/or a fixed sum for services as Advisory Members and/or for attendance at each regular or special meeting of the Board, together with any expenses of attendance.

MEETING OF THE BOARD

22. The first meeting of each newly elected Board shall be held at such time and place either within or without the State of Delaware as shall be fixed by the vote of the stockholders at the annual meeting and no notice of such meeting shall be necessary to the newly elected Directors in order legally to constitute the meeting provided a quorum shall be present, or they may meet at such place and time as shall be fixed by the consent in writing of all the Directors.

23. Regular meetings of the Board may be held without notice at such time and place either within or without the State of Delaware as shall from time to time be determined by the Board.

24. Special meeting of the Board may be called by the Chairman of the Board or by the President on one day's notice to each Director, either personally or by mail or by telegram; special meetings shall be called by the Chairman of the Board or President or Secretary in like manner and on like notice on the written request of two Directors.

25. At all meetings of the Board the presence of four (4) Directors shall be necessary and sufficient to constitute a quorum for the transaction of business and the act of a majority of the Directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, except as provided by statute or by the certificate of incorporation or by these By-laws. If a quorum shall not be present at any meeting of Directors, the Directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a

quorum shall be present.

REIMBURSEMENT AND INDEMNIFICATION OF OFFICERS, DIRECTORS AND ADVISORY DIRECTORS

25. (a) The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, arbitrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he is or was a director, Advisory Director, /officer, employee or agent of the Corporation, or is or was serving at the request of the corporation as a director, Advisory Director, /officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

(b) The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason

of the fact that he is or was a director, Advisory Director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, Advisory Director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the Corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

(c) To the extent that a director, Advisory Director, officer, employee or agent of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in subsections (a) or (b), or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

(d) Any indemnification under subsections (a) or (b) (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director, Advisory Director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in subsections (a) and (b). Such determination shall be made (1) by the Board of Directors by a majority vote of a quorum consisting of directors who were

not parties to such actions, suit or proceeding, or (2) if such a quorum is not obtainable, or, even if obtainable, a quorum of disinterested directors so directs, by independent legal counsel in a written opinion.

(e) Expenses incurred in defending a civil or criminal action, suit or proceeding may be advanced by the Corporation in advance of the final disposition of such action, suit or proceeding, upon receipt of an undertaking by or on behalf of the director, Advisory Director, officer, employee or agent to repay such amount unless it shall ultimately be determined that he is entitled to be indemnified by the Corporation as authorized in this section.

(f) The rights of indemnity provided in this bylaw shall not be deemed exclusive and the Corporation may, by contract, vote of stockholders, or disinterested directors, or otherwise, further indemnify directors, Advisory Directors, officers, employees or agents of the Corporation to the full extent permitted under the laws of the State of Delaware or any other applicable laws, now or hereafter in effect, both as to matters in such person's official capacity and as to action in another capacity while holding such office, and the provisions of this bylaw shall inure to the benefit of a person who has ceased to be a director, Advisory Director, officer, employee or agent and to the benefit of the heirs, executors, and administrators of such a person.

(g) The foregoing rights shall be available in respect of any claim, action, suit or proceeding whether or not based upon matters which antedate the adoption of this bylaw.

NOTICES

26. Whenever under the provisions of the statutes or of the certificate of incorporation or of these Bylaws, notice is required to be given in writing, by mail,

by depositing the same in a post office or letter box, in a post-paid sealed wrapper, addressed to such director or stockholder at such address as appears on the books of the Corporation, or in default of other address, to such director or stockholder at the General Post Office in the City of Wilmington, Delaware, and such notice shall be deemed to be given at the time when the same shall be thus mailed.

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

OFFICERS

28. The officers of the Corporation shall be chosen by the directors and shall be a Chairman of the Board, a President, an Executive Vice President, a Vice President, a Secretary, a Treasurer and a General Auditor. The Board of Directors may also choose a General Counsel, one or more Group Vice Presidents, additional Vice Presidents, and one or more Assistant Secretaries and Assistant Treasurers. Two or more offices may be held by the same person, except that where the offices of President and Secretary are held by the same person, such person shall not hold any other office.

29. The Board of Directors at its first meeting after each annual meeting of the stockholders shall choose a Chairman of the Board of Directors and a President from its members, and one or more Vice Presidents, a Secretary, a Treasurer and a General Auditor, none of whom need be a member of be a member of the Board.

30. The Board may appoint such other officers and agents as it shall deem necessary, who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board.

31. The salaries of all officers and agents of the Corporation shall be fixed by the Board of Directors.

32. The officers of the Corporation shall hold office until their successors are chosen and qualify in their stead. Any officer elected or appointed by the Board of Directors may be removed at any time by the affirmative vote of a majority of the whole Board of Directors. If the office of any officer becomes vacant for any reason, the vacancy shall be filled by the Board of Directors.

THE CHAIRMAN OF THE BOARD

33. The Chairman of the Board shall preside at all meetings of the stockholders, Directors and Executive Committee and shall be ex-officio a member of all other standing committees. He shall see that all votes and resolutions of the Board are carried into effect. He shall also perform such other duties as may from time to time be assigned to him by the Board of Directors or the Executive Committee.

THE PRESIDENT

34. The President shall be the chief executive officer of the Corporation. He shall report to the Executive Committee and the Board of Directors and shall have active and general charge and control of all affairs of the Corporation. To him shall report the Executive Vice President and such other corporate officers as he shall designate. The President shall preside at all meetings of the stockholders, Directors and the Executive Committee in the absence of the Chairman of the Board. He shall execute bonds, mortgages and other contracts requiring a seal, under the seal of the Corporation, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the Board of Directors to some other officer or agent of the Corporation.

VICE PRESIDENTS

35(a) The Executive Vice President sha ., subject to the direction of the President, manage the operations of the Corporation and, in the absence or disability of the President, shall perform all the duties and exercise the powers of the President. He shall perform such other duties as the President. the Executive Committee or the Board of Directors shall prescribe.

(b) The Vice President-General Counsel and the Group Vice Presidents, in the order of their seniority in the office of Vice President, shall, in the absence or disability of the President and the Executive Vice President, perform the duties and exercise the powers of the President and shall perform such other duties as the President, Executive Vice President, the Executive Committee or th› Board of Directors may prescribe.

(c) The Vice Presidents shall perform such duties as the President, the Executive Vice President, the Executive Committee or the Board of Directors shall prescribe.

THE SECRETARY AND ASSISTANT SECRETARIES

36. The Secretary shall attend all sessions of the Board and all meetings of the stockholders and record all votes and the minutes of proceedings in a book to be kept for that purpose and shall perform like duties for the standing committees when required. He shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors, and in his capacity as Secretary shall perform such other duties as may be prescribed by the Board of Directors, the Executive Committee or the President. He shall keep in a safe custody

the seal of the Corporation and, when authorized by the Board, affix the same to any instrument requiring it and, when so affixed, it shall be attested by his signature or by the signature of the Treasurer or an Assistant Secretary or an Assistant Treasurer.

37. The Assistant Secretaries in order of their seniority shall, in the absence or disability of the Secretary, perform the duties and exercise the powers of the Secretary and shall perform such other duties as the Board of Directors shall prescribe.

THE TREASURER AND ASSISTANT TREASURERS

38. The Treasurer shall have the custody of the Corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all monies and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Executive Com mittee or the Board of Directors.

39. He shall disburse the funds of the Corporation as may be ordered by the Executive Committee or the Board, taking proper vouchers for such disbursements, and shall render to the President and Directors, at the regular meetings of the Board, or whenever they may require it, an account of all his transactions as Treasurer and of the financial condition of the Corporation.

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

41. The Assistant Treasurers in the order of their seniority shall, in the absence or disability of the Treasurer, perform the duties and exercise the powers of the Treasurer and shall perform such other duties as the Executive Committee or the Board of Directors shall prescribe.

THE GENERAL AUDITOR

42. The General Auditor shall organize and maintain an effective audit program for the Corporation including coordination of the internal audit activities of the Corporation with those of the Independent Public Accountants who are called upon to certify the Corporation's annual financial statements. The audit program shall encompass all of the managerial, administrative and operational functions of the Corporation.

CERTIFICATE OF STOCK

43. The Certificates of Stock of the Corporation shall be numbered and shall be entered in the books of the Corporation as they are issued. They shall exhibit the holder's name and number of shares and shall be signed by the President or a Vice President and the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer, transfer agent, or registrar at the date of issuance. Any of or all the signatures on the certificate may be a facsimile.

TRANSFER OF STOCK

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

CLOSING OF TRANSFER BOOKS

45. The Board of Directors shall have the power to close the stock transfer books of the Corporation for a period not exceeding fifty days preceding the date of any meeting of stockholders or the date for payment of any dividend or the date for the allotment rights or the date when any change or conversion or exchange of capital stock shall go into effect or for a period not exceeding fifty days in connection with obtaining the consent of stockholders for any purpose; provided, however, that in lieu of closing the stock transfer books as aforesaid, the Board of Directors may fix in advance a date, not exceeding fifty days preceding the date of any meeting of stockholders, or the date for the payment of any dividend, or the date for the allotment of rights, or the date when any change or conversion or exchange of capital stock shall go into effect or a date in connection with obtaining such consent, as a record date for the determination of the stockholders entitled to notice of, and to vote at, any such meeting, and any adjournment thereof, or or entitled to receive payment of any such dividend, or to any such allotment of rights, or to exercise the rights in respect of any such change, conversion or exchange of capital stock or to give such consent, and in such case such stockholders and only such stockholders as shall be stockholders of record on the date so fixed shall be entitled to such notice of, and to vote at, such meeting and any adjournment thereof, or to receive payment of such dividend, or to receive such allotment of rights, or to exercise such rights or to give such consent, as the case may be, notwithstanding any transfer of any stock on the books of the Corporation after any such record date fixed as aforesaid.

REGISTERED STOCKHOLDERS

46. The Corporation shall be entitled to treat the holder of record of any share or shares of stock as the holder in fact thereof and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

LOST CERTIFICATE

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

DIVIDENDS

48. Dividends upon the capital stock of the Corporation, subject to the provisions of the Certificate of Incorporation, if any, may be declared by the Board of Directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the

provisions of the Certificate of Incorporation.

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

DIRECTORS ANNUAL STATEMENT

50. The Board of Directors shall present at each annual meeting and when called for by vote of the stockholders at any special meeting of the stockholders, a full and clear statement of the business and condition of the Corporation.

CHECKS

51. All checks or demands for money and notes of the Corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

FISCAL YEAR

52. The fiscal year shall begin the first day of January in each year.

SEAL

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

AMENDMENTS

54. These By-Laws may be altered or repealed at any regular meeting of the stockholders or at any special meeting of the stockholders at which a quorum is present or represented, provided notice of the proposed alteration or repeal be contained in the notice of such special meeting, by the affirmative vote of a majority of the stock entitled to vote at such meeting and present or represented thereat, or by the affirmative vote of a majority of the Board of Directors at any regular meeting of the Board or at any special meeting of the Board if notice of the proposed alteration or repeal be contained in the notice of such special meeting; provided, however, that in case of any change of such time or place, notice thereof shall be given to each stockholder in person or by letter mailed to his last known post office address at least twenty days before the meeting is held.

END

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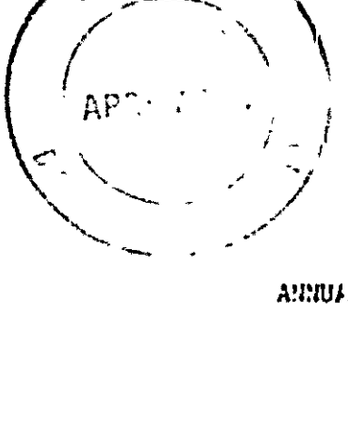

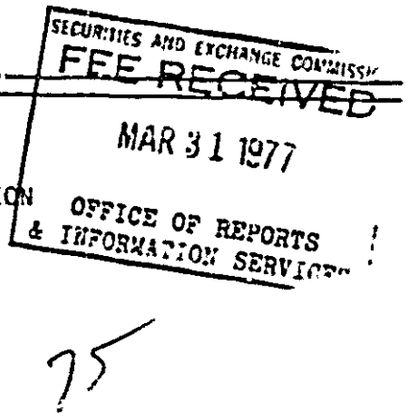

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-K

75

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1976 Commission file number 1-3879-2

DYNALECTRON CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	36-2408747
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1313 Dolley Madison Blvd., McLean, Va.	22101
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number (703) 356-0480

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

Title of each class	Name of each exchange on which registered
Common Stock having a par value of $0.10 per share	American Stock Exchange

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

NONE

(Title of class)

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the close of the period covered by this report.
6,835,938

DYNCORP 00277

Dynalectron Corporation, incorporated in 1946 under the laws of the state of Delaware, is hereinafter referred to as the "Registrant", "Corporation" or "Company" and any such reference is intended to include all other entities affiliated with the Company unless otherwise stated.

* * * * * * * * * *

ITEM 1. BUSINESS

The Registrant provides diversified technological services to various commercial and governmental enterprises worldwide. The general areas of service are performed within three major operating groups as follows:

ELECTRICAL CONTRACTING GROUP

This group engages in electrical construction services for major industrial, power generation, and commercial projects nationwide in the United States and Canada, and offers such services selectively to foreign clients. The subsidiaries within the group are diversified as to service and geographic location and operate as subcontractors under most contracts.

At the end of 1976, a large portion of the group's nationwide activities were consolidated under the general name "Dynalectric", a subsidiary name used since 1973. In addition, activities were expanded by the acquisition of a Denver, Colorado firm in January, 1976. The group continues to be one of the larges electrical contractors in the United States in terms of contract revenues, however, individual members of the group often compete with companies which are larger in size and have greater availability of financial resources. No products are developed or manufactured. The group is also engaged in warehousing and wholesaling of electrical products.

TECHNICAL SERVICES GROUP

The three principal fields of this group are summarized as follows:

Government Services

The operations conducted by this sector generally provide technical, maintenance and support services for various agencies connected with the U. S. Government. Such operations are conducted on a worldwide basis, at sites and in facilities generally provided by the government, under prime contracts and subcontracts. These contracts, which are service oriented and involve no manufacturing activities, are obtained through competitive bidding. The majority of the Registrant's contracts presently in progress are cost plus fixed fee or award fee contracts with a lesser but significant volume of time and expense contracts ranging in duration from one to five years including renewal options exercisable by the government. Essentially all of the contracts are subject to the Renegotiation Act of 1951.

During 1976, a number of the contracts were competed, with all of them retained. In addition, the business expanded into new areas through a contract with the Department of Transportation to operate a mass rail transit and railroad test facility, and the Registrant's acquisition of a Long Beach, California based firm which provides engineering and technical services to the maritime industry.

The government services activities of the Technical Services Group are subject to intense competition. In the technical services industry the Registrant's competitors include major aerospace firms, the size and financial resources of which often far exceed those of the Registrant.

DYNCORP 00278

TECHNICAL SERVICES GROUP

Commercial Aviation

This sector of the Technical Services Group is engaged in providing aircraft maintenance services primarily at Miami International Airport and ground support services for U. S. and foreign airlines at eight commercial airports and two Air Force bases in the United States. Competition includes numerous companies as large or larger than the Registrant's subsidiaries involved in this field.

Telecommunications

Engaged in the sale, installation and maintenance of interconnect telephone, communications, sound and environmental systems and other electronic equipment, this sector competes with major established nationwide companies. Competition has been severe, particularly in the telephone interconnect area. Business lines are being expanded to other areas such as security systems, where a significant contract has been obtained from a foreign government. However, as of the end of 1976, foreign operations had not advanced to the stage of being significant to total consolidated revenue.

HYDROCARBON GROUP

Major service areas of the group involve research and process development, licensing, engineering, construction and industrial insulation for the petroleum, petrochemical and various other process industries. This sector includes proprietary technology for environmentally "clean fuels" from various hydrocarbons including lower grade, high-sulfur coals and crude oils. In addition to the above, the group's capabilities include construction of waste water reclamation and sewage treatment plants. Additional information on respective areas are summarized as follows:

Research and Development

The Registrant operates an independent laboratory which engages in process research and development directed presently toward petroleum, petrochemical and cryogenic industries. Although some projects are financed entirely with Company funds, major endeavors, such as research in connection with the Company's H-Coal® process, are performed under contracts with government and/or private industry participants. In return for this funding, participants normally receive either the use of the process developed or a portion of the royalty/license fees. The more important processes in which the group has an interest are:

H-Oil®

A process for the hydrogenating and upgrading of heavy and residual feedstocks into lighter, higher grade petroleum products that can be refined with other conventional processing techniques. A feature used in the H-Oil process (the ebullating bed) is protected by U. S. patent through 1978; however, improvements to the process are covered by additional patents expiring on various dates through 1992.

Hydrodealkylation (HDA)

This is a process for producing benzene from partially refined petroleum materials. The Registrant receives from 19% to 28% of the royalties granted under this jointly owned process depending upon who issues the license. The HDA process is covered by a number of U. S. patents, which expire between 1983 and 1989. During 1976, a joint ownership and technology usage agreement with two major oil companies was renewed on a basis which increased the Registrant's share of royalty fees on future licenses.

H-Coal®

This process for converting bituminous coal and lignites (sub-bituminous material) into synthetic crude oil through the application of technology similar in some respects to the H-Oil process is in the development stage. The same basic feature used in the H-Oil process (the ebullating bed), the patent for which expires in 1978, is also used in the H-Coal process; however, in H-Coal technology, other developments are protected by patents expiring on various dates through 1991.

In September, 1974, a wholly-owned subsidiary of the Registrant received award of an $8.1 million, 14-month first-phase contract for the design and engineering portion of a multi-phase project for the construction and operation of a 600-ton-per-day (nominal capacity) coal liquefaction pilot plant which will employ the Registrant's proprietary H-Coal process. The contract originally awarded by the Office of Coal Research (OCR), (now a part of the Energy Research and Development Administration) was jointly funded; two-thirds by Government and one-third by industry.

Since 1974, additional funding has been added for additional engineering, continuation of laboratory work and construction of the pilot plant. The construction phase is also jointly funded approximately 85% by the Government and 15% by private industry. As of the first of 1977, the estimated value of the Registrant's share of the project was $31 million, of which $16.8 million had been included in revenue as of the end of 1976.

Process Engineering and Design

This sector of the Hydrocarbon Group's activities provides engineering and design services in connection with the construction of process plants. Contracts vary from the sale of technology for a particular process only, to packages encompassing the complete design, construction and operation of a process or an entire complex at the plant site. Generally, the processes involved are those developed by the Registrant, but processes developed by other companies are also marketed.

Insulation Contracting and Supply

The insulation subsidiaries provide both contract installation and wholesale supply services in the field of industrial thermal insulation. Industries serviced include primarily the petroleum and process industries in both the United States and Canada. The subsidiaries engaged in these services are among the largest in the U.S./Canadian market.

Specialized Construction

Specialized construction services are provided primarily in the environmental field of waste water treatment.

In all areas of process research and development and licensing, process engineering and design in the petroleum and petrochemical fields and specialized construction, the Registrant faces major competitors, including large engineering companies, major construction firms and major oil companies.

The general fields in which the Registrant conducts business are all highly competitive with competition based on a variety of factors including, but not limited to, price, service and past experience. Competitors in all groups vary in size with some having a larger financial resource base at their disposal. However, many contracts have been awarded to the Registrant because of its technical know-how and past service record. The names of individual competitors are not listed as the Registrant operates in numerous geographical areas with a variety of competitors and such a listing, in the opinion of the Registrant, would not provide adequate information on which to make meaningful comparisons.

The accompanying Table I summarizes contributions of the major groups to the Registrant's revenue and earnings (as defined). Earnings contribution is defined as earnings before income taxes, the application of general and administrative, group overhead and miscellaneous expenses.

Presently, the following material subsidiaries of the Registrant conduct business in a foreign country:

Name and Location	Date Acquired
The State Electric Company, Limited, Ontario, Canada	June, 1972
Fuller-Austin of Canada Limited, Alberta, Canada	July, 1974

Revenue and earnings contribution of these companies for the year ended December 31, 1976 were 15.6% and 35.7%, respectively, of total consolidated revenue and earnings contribution.

her foreign operations are presently involved in work for the United States Government and certain foreign customers including foreign Governments.

With respect to operations abroad for the United States Government, Registrant normally receives rent-free use of the facilities and direct payment from the United States Government. For these reasons, it is Registrant's opinion that the exposure normally associated with foreign operations is not present.

Subsidiaries of the Company engaged in work for foreign commercial and governmental customers are generally paid in United States dollars generated through prearranged financing. This fact, coupled with the low dollar value of such contracts, has caused Registrant to conclude that no material risks are involved in such foreign business.

DYNCORP 00281

Backlog

Backlog at December 31, 1976 and 1975 was distributed among the Registrant's primary activities as follows:

	Dollars in millions	
	1976	1975
Technical Services Group:		
Technical services for various Government agencies	$ 67.4	$ 34.5
Commercial aviation services	24.6	15.3
Telecommunications services and electronic contracting	7.7	.8
Total Technical Services Group	99.7	50.6
Hydrocarbon Group:		
Technological services in the fields of energy, petroleum, petrochemical and other process industries	41.4	8.3
Construction of waste water reclamation and sewage treatment plants	37.9	11.0
Total Hydrocarbon Group	79.3	19.3
Electrical Contracting Group	71.2	42.8
CONSOLIDATED DYNALECTRON	$250.2	$112.7

The increase in backlog as of the end of 1976 to $250.2 million is the result of an upturn in the economy in the second half of 1976 and further diversification and geographical coverage by the Registrant. Approximately $86,000,000 of the December 31, 1976 backlog is not expected to be included in revenue in 1977. On an overall basis, business of the Registrant is not subject to significant seasonal variations.

At December 31, 1976, the Registrant had approximately 6,000 employees.

TABLE I

DYNALECTRON CORPORATION AND SUBSIDIARIES

MAJOR LINES OF BUSINESS

	Percent Years Ended December 31,				
	1976	1975	1974	1973	1972
Electrical Contracting Group:					
Installation, sales and engineering in the commercial and industrial electrical fields					
Revenue	45.9	50.3	54.6	52.1	36.0
Earnings contribution	30.3	37.0	48.5	56.3	50.6
Technical Services Group:					
Aviation, maritime and heavy equipment maintenance					
Revenue	13.1	5.8	9.4	15.0	19.9
Earnings contribution	20.3	8.7	16.9	25.8	33.6
Support services for missile ranges, radar and test facilities and data processing activities					
Revenue	5.8	12.7	14.8	20.2	22.9
Earnings contribution	5.4	12.4	18.7	24.9	31.3
Commercial aviation support services, maintenance and sales					
Revenue	8.4	9.0	10.3	7.9	10.5
Earnings contribution	17.2	13.2	15.2	9.0	15.4
Other					
Revenue	1.4	1.4	1.4	.4	.1
Earnings contribution	(6.8)	(2.6)	(2.2)	1.8	(.9)
Total Technical Services Group					
Revenue	28.7	28.9	35.9	44.5	53.4
Earnings contribution	36.1	31.7	48.6	61.5	79.6
Hydrocarbon Group:					
Engineering research and process development, licensing, insulation and construction in the petroleum petrochemical, cryogenic, environmental and waste treatment fields					
Revenue	25.4	20.8	9.5	2.8	4.8
Earnings contribution	33.6	31.3	2.9	(15.8)	(10.2)
Discontinued Operations:					
Revenue	—	—	—	.6	5.8
Earnings contribution	—	—	—	(2.0)	(20.0)
Total Revenue and Total Earnings Contribution	100.0	100.0	100.0	100.0	100.0
Earnings and Other Costs as a Percentage of Total Revenue:					
Earnings before other costs	5.8	7.9	6.7	7.5	6.9
Other costs:					
Parent company general and administrative and group support expenses	2.7	2.8	2.7	3.3	3.4
Miscellaneous expenses, net	.8	1.2	1.1	.1	.6
Earnings Before Income Taxes	2.3	3.9	2.9	4.1	2.9

ITEM 2. SUMMARY OF OPERATIONS

The attached Table II sets forth pertinent data concerning the Registrant's operations for the latest five year period.

MANAGEMENT'S ANALYSIS AND DISCUSSION OF SUMMARY OF OPERATIONS

REVENUES

Year 1976 vs. 1975

Revenues for 1976 increased $25 million to $201.5 million, up 14% over the prior year.

Including revenues of a new acquisition, the overall revenues of the Electrical Contracting Group (ECG) increased 4% or $3.7 million to $92.5 million in 1976. However, many of the divisions/subsidiaries experienced decreased volume, particularly in commercial projects, and results in different geographic areas varied considerably due to economic conditions, bidding opportunities and competition prevailing in the localities. Primary factors affecting ECG revenues were:

		Net Change in Millions
(1)	New acquisition in January 1976	$11.1
(2)	Expansion of electrical wholesale supply	2.9
(3)	Increased volume in Canada	1.6
(4)	Decreased volume in Southeast and Mid-Atlantic states	(4.5)
(5)	Inability to replace volume represented by completion of 3 large U. S. Postal Bulk Mail Centers	(7.3)

The Technical Services Group (TSG) expanded its revenues by $6.8 million, up 13% to $57.8 million in 1976. Primary changes included:

		Net Change in Millions
(1)	New contract for services starting mid-1976 for the Department of Transportation	$ 3.8
(2)	The mid-year acquisition of PAC ORD ...	3.5
(3)	Expansion of commercial aviation services	1.0
(4)	Increase in electronic systems	0.5
(5)	Reduction in worldwide maintenance of military aircraft	(2.4)

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The greatest revenue expansion was achieved by the Hydrocarbon Group, up 40% or $14.5 million to $51.2 million in 1976 primarily due to:

	Net Change in Millions
(1) Increased energy-related engineering and laboratory work including the H-Coal® synthetic fuels project.....	$ 4.0
(2) Increased industrial insulation work	
. . . in Canada	5.3
. . . in the U.S.	2.9
(3) Increased industrial construction	2.3

Company-wide, the larger gains in 1976 revenues related to: two acquisitions, industrial insulation, a new major service contract for the Government, and energy related engineering/laboratory work. Conversely, tending to reduce revenues were decreased military aircraft maintenance and a generally tight market for electrical contracting during 1976.

On an overall basis, industrial/commercial revenue increased from 49% of total sales in 1972 to 68% or $137.5 million in 1976; services for the Department of Defense continued at a reasonably good volume of $44.3 million, but represented only 22% of total 1976 revenues versus 36% of total 1972 revenues; and services for other Government agencies (such as ERDA, EPA, Department of Transportation, etc.) increased to 19.7% of total revenues in 1976.

Year 1975 vs. 1974

Revenues for 1975 increased $14.8 million, up 9% over 1974. The greatest positive factors included the Hydrocarbon Group expansion of $21.2 million of which about $3 million related to increased energy engineering activities and $18.3 million was attributable to the effects of acquisitions made at mid-1974 and January 1975. Ground services for commercial aviation expanded by $1.5 million and electrical contracting by less than $1 million.

Partially offsetting those gains were shrinkage in revenues from Government services of $6.3 million and a drop of $2.3 million in export sales and services in the Brazilian aviation market, resulting in the Company's sale of a Brazilian subsidiary in late 1975.

EARNINGS

Year 1976 vs. 1975

Net earnings for 1976 decreased 21% to $2,491,000 (36 cents per share) from the earnings of 1975. Despite the Company's expansion in 1976 and the resultant overall increase in revenues, a number of the operating divisions and subsidiaries found that the localized economies or business activities in which they operated were still burdened by uncertainties. As a result, several of the operating units were unable to build an adequate workload to maintain the same profitability in 1976 as achieved the year before. In some cases, individual subsidiaries or divisions sustained losses because business volume was inadequate to support overhead. In essentially all areas bidding was extremely competitive starting even before 1976, and profit margins on the successful bids were necessarily narrow. This problem was magnified because some elements of cost in the economy rose at a much higher rate than general inflation. For example, workmen's compensation insurance premiums, general liability insurance rates and health care insurance costs increased at paces far in excess of the Consumer Price Index.

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Approximately mid-1976 and thereafter a number of larger projects which had been delayed in some cases for many months, were awarded, expanding the backlog. The substantial increase in new business awards in the second half of 1976 had an adverse impact on earnings (in most instances) because their limited progress by year-end did not result in significant contributions to profit in the 1976 accounting period. However, these contracts are expected to improve their contributions to earnings in 1977, 1978 and, in some cases, into following years. The new project "starts" during the third quarter required high initial capital outlays causing higher than anticipated use of short-term bank borrowings with attendant higher financing costs.

Net earnings of the Electrical Contracting Group decreased overall by 64% in 1976 to $481,000. Major factors included:

	Net Change in Millions
(1) Contracting activities in much of the Southeastern U. S. incurred substantial losses due to low workload and bidding problems--two subsidiaries have been consolidated with reduced overhead and placed under new management	$(1.4)
(2) Profit margins under Canadian contracts were less than the year before	(0.5)
(3) Operations in western areas improved from a depressed 1975 including additional revenues from reevaluation of claims	1.0

Overall net earnings for the Technical Services Group decreased by 30% to $563,000. Major factors included:

	Net Change in Millions
(1) The continued tight market in the domestic telephone interconnect market caused increased losses, predominantly in the Texas area, ($920,000 before General and Administrative expenses and income taxes)--the Texas operation has been drastically curtailed, most branch offices closed with a large reduction in overhead	$(0.2)
(2) Narrow margins between costs and cost ceilings of many Government service contracts, especially toward the end of multi-year contracts under which higher than anticipated inflation reduced earnings, while government budget restrictions forced curtailment of planned activities under some programs	(0.3)
(3) Successful expansion of ground support services and aircraft maintenance for commercial aviation provided earnings improvement	0.1
(4) Mid-year acquisition of PAC ORD	0.1

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Hydrocarbon Group 1976 net earnings were $1,634,000, slightly above 1975, on an expanded business volume. Primary factors include:

	Net Change in Millions
(1) Reduced profit margins in industrial insulation projects in both U. S. and Canadian markets	$(0.4)
(2) Delays incurred while awaiting Government release of work to the Group R & D laboratory operations..	0.1
(3) Increased earnings on expanded industrial construction	0.1
(4) Sale of remaining interest in former foreign subsidiary	0.4

Year 1975 vs. 1974

Net earnings for 1975 were $3,165,000 (46 cents per share), up $942,000 or 42% over 1974.

The Electrical Contracting Group's 1975 net earnings were $1,322,000 (88% of 1974 results), despite a depressed business environment confronting the entire construction industry (and continuing through 1976). A loss operation had been closed in 1974, numerous cost-saving measures were implemented to adjust to the business and economic conditions, and profitable operations were opened during 1975 in other geographic areas of the United States and Canada not previously served.

The Technical Services Group's 1975 net earnings were approximately $810,000, only 70% of the prior year's results. Primary factors contributing to the reduced earnings were the lower volume of Government services, combined with narrower profit margins resulting from competition on new bids and contract ceilings on certain overhead areas of cost reimbursement. Also the telephone interconnect activities were confronted by a highly restricted market in 1975 (which continued through 1976) and incurred a loss for the year. Net earnings of commercial aviation services dropped about 3% in 1975. The net effect of losses of a Brazilian subsidiary (which was sold in November 1975) which reduced net earnings $80,000 were partially offset by increased earnings of U. S. operations.

The greatest positive contribution was the significant improvement in the Hydrocarbon Group's operations from a 1974 net loss of approximately $300,000 (after income tax benefit therefor) to a 1975 net after-tax income of $1,614,000. All primary subsidiaries of the Group were profitable. Results in the industrial insulation activities of the Fuller-Austin companies were further affected in 1975 by an accelerated accrual in 1974 ($740,500 after-tax effect) toward a possible bonus that could be earned by key personnel based upon earnings expansion through December 31, 1977--this dropped to an after-tax impact of $160,000 in 1975.

Provision for Income Taxes

The disproportionate reduction in the 1976 provision for income taxes compared with 1975 resulted from: (1) statutory decreases in rates imposed by some foreign countries; (2) capital gain income not taxable due to loss carryforwards; and (3) adjustment of prior periods' accruals. The 1975 provision for income taxes in relation to 1974 was higher due to inclusion of foreign taxes in excess of U. S. tax rates.

Other

The increase in revenues in 1975 and 1976 were brought about through new contracts and business in new areas. The large start-up costs in these endeavors necessitates increased capital outlay through short-term bank borrowings. Consequently, interest expense increased in 1975 and 1976, but proportionately to revenues.

The sale of remaining interests in a former foreign subsidiary is explained in Note 11 of the notes to consolidated financial statements.

TABLE II

DYNALECTRON CORPORATION AND SUBSIDIARIES

CONSOLIDATED SUMMARY OF OPERATIONS

	For the years ended December 31, (Note d) (In thousands except per share and dividend data)				
	1976	1975	1974	1973	1972
Revenues	$201,513	$176,459	$161,674	$108,773	$ 90,074
Operating expenses	195,423	167,839	155,555	104,247	85,637
Interest expense	1,914	1,663	1,413	674	489
Gain on early retirement of convertible subordinated notes (Note a)	—	—	—	715	—
Earnings (loss) from discontinued foreign subsidiaries (Note b)	373	—	—	(66)	(1,194)
Provision for income taxes (Note d)	2,058	3,792	2,483	2,474	2,010
Net earnings	$ 2,491	$ 3,165	$ 2,223	$ 2,027	$ 744
Earnings per share (Note c)	$ 0.36	$ 0.46	$ 0.34	$ 0.30	$ 0.12
Dividends declared:					
Preferred stock	$ 0.60	$ 0.50	$ 0.50	$ —	$ —
Common stock	0.06	0.05	0.05	—	2% stock
Weighted average common and common equivalent shares outstanding (Note c)	6,531,154	6,796,212	6,573,088	6,746,577	6,416,272

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DYNALECTRON CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED SUMMARY OF OPERATIONS

(a) The Registrant, in May 1973, repurchased and retired $1,925,000 of the original placement of $6,000,000 of its 6-7/8% convertible subordinated notes at a discount from face value of 40%, which resulted in a gain after income taxes and expenses associated therewith of approximately $340,000 ($0.05 per share).

(b) The Registrant sold 81% of its French operating subsidiary as of June 30, 1973 and the remaining interest in 1976; and in December 1973, the Registrant disposed of its ownership in the condominium premises occupied by the operating subsidiary. Data concerning the operations of these subsidiaries is as follows:

	For the years ended December 31,		
	1976	1973	1972
	(In thousands)		
Revenues	$	$ 642	$ 5,022
Costs and expenses		1,060	6,216
Gain on sale of condominium interest in office building		(352)	
Gain on sale of remaining interests	(373)		
Earnings (loss) before income taxes	$ 373	$ (66)	$(1,194)

(c) Reference is made to Note 13 of the notes to consolidated financial statements for the basis of computing weighted average common and common equivalent shares outstanding, and adjustments to net earnings.

(d) Reference is made to the following notes to consolidated financial statements -

Note 1 - Summary of Accounting Policies
Note 2 - Acquisitions
Note 10 - Income Taxes
Note 11 - Quarterly Financial Data
Note 12 - Pension Plans
Note 14 - Incentive Compensation Plans
Note 15 - Commitments, Contingencies and Litigation

ITEM 3. PROPERTIES

The Registrant is a service oriented company, and as such, the ownership or leasing of real property is an activity which is not material to an understanding of the Registrant's operations. Generally, properties owned or leased are office facilities, warehouses used in connection with the storage of inventories, and servicing facilities used by the Commercial Aviation sector of the Technical Services Group. The majority of the facilities are located within the United States. In the opinion of management, the facilities employed by the Registrant are adequate for the present needs of the business. Reference is made to the consolidated financial statements, notes thereto and Schedule V for additional information concerning expenditures and lease commitments for property.

* * * * * * * * * *

ITEM 4. PARENTS AND SUBSIDIARIES

Table III on page 16 sets forth the various entities owned directly or through common control by the parent, Dynalectron Corporation. All entities are wholly owned by the parent unless otherwise indicated and are included in the consolidated financial statements except State E. C. (Central) Limited (which is not material), and Fleetwood Insurance Limited which was organized in 1977.

* * * * * * * * * * *

ITEM 5. PENDING LEGAL PROCEEDINGS

See Note 15 of notes to consolidated financial statements. Additional information regarding material legal proceedings is contained in the Registrant's Form 8-K reports filed for the months of December. 1974 and 1976, which reports are incorporated herein by reference.

* * * * * * * * * *

ITEM 6. INCREASES AND DECREASES IN OUTSTANDING SECURITIES

A. During the year ending December 31, 1976, the amount of equity securities of the Registrant outstanding increased or decreased as follows:

	Title of Class (a)	
	Common Shares (b)	Preferred Shares Series B (c)
Balance outstanding or in treasury, December 31, 1975	6,835,938	750
Increase in December, 1976 - Stock recognized as outstanding which had been issued into escrow in connection with a 1975 acquisition		30,000
Balance outstanding or in treasury, December 31, 1976	6,835,938	30,750

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	Title of Class (a)				
	Series A 8 - 1/2% Convertible Subordinated Debentures	Series B 8 - 1/2% Convertible Subordinated Debentures	8 - 1/4% Convertible Debentures	6 - 7/8% Convertible Subordinated Notes	Series C 6% Convertible Subordinated Debentures (d)
Balance outstanding, December 31, 1975			$ 787,452	$4,075,000	
Issued in January, 1976 in connection with purchase of Kennedy Electric Co., Inc.	$ 264,000	$616,000			
Issued in June, 1976 in connection with purchase of PAC ORD					$151,667
Principal curtailments -					
January, 1976			(203,213)		
April, 1976	(264,000)				
July, 1976			(203,214)		
Balance outstanding, December 31, 1976	—	$616,000	$ 381,025	$4,075,000	$151,667

(a) Reference is made to Notes 2, 6, 8 and 9 of notes to consolidated financial statements for additional information.

(b) Excluded from the number of shares outstanding at December 31, 1976 and 1975 are 652,500 and 112,500 shares, respectively, which have been issued into escrow.

(c) Excluded from the number of shares outstanding at December 31, 1976 and 1975, are 7,400 and 37,400 shares, respectively, which have been issued into escrow.

(d) Excludes $440,000 of Series C Debentures which have been issued into escrow.

B. During the year ended December 31, 1976, the Registrant sold or issued the following securities which were not registered under the Securities Act of 1933. in reliance upon an exemption from registration provided by Section 4(2) of the Act:

1. Debt Securities, $880,000 - 8-1/2% Convertible Subordinated Debentures Information called for in Item 6.(b) is contained in Item C of Registrant's Form 10-Q for the quarter ended April 1, 1976, and 8-K Report for the month of January, 1976, which are incorporated herein by reference.

2. Equity Securities, $591,667 - 6% Convertible Subordinated Debentures Information called for in Item 6.(b) is contained in Item C of Registrant's Form 10-Q for the quarter ended July 1, 1976, and 8-K Report for the month of June, 1976, which are incorporated herein by reference.

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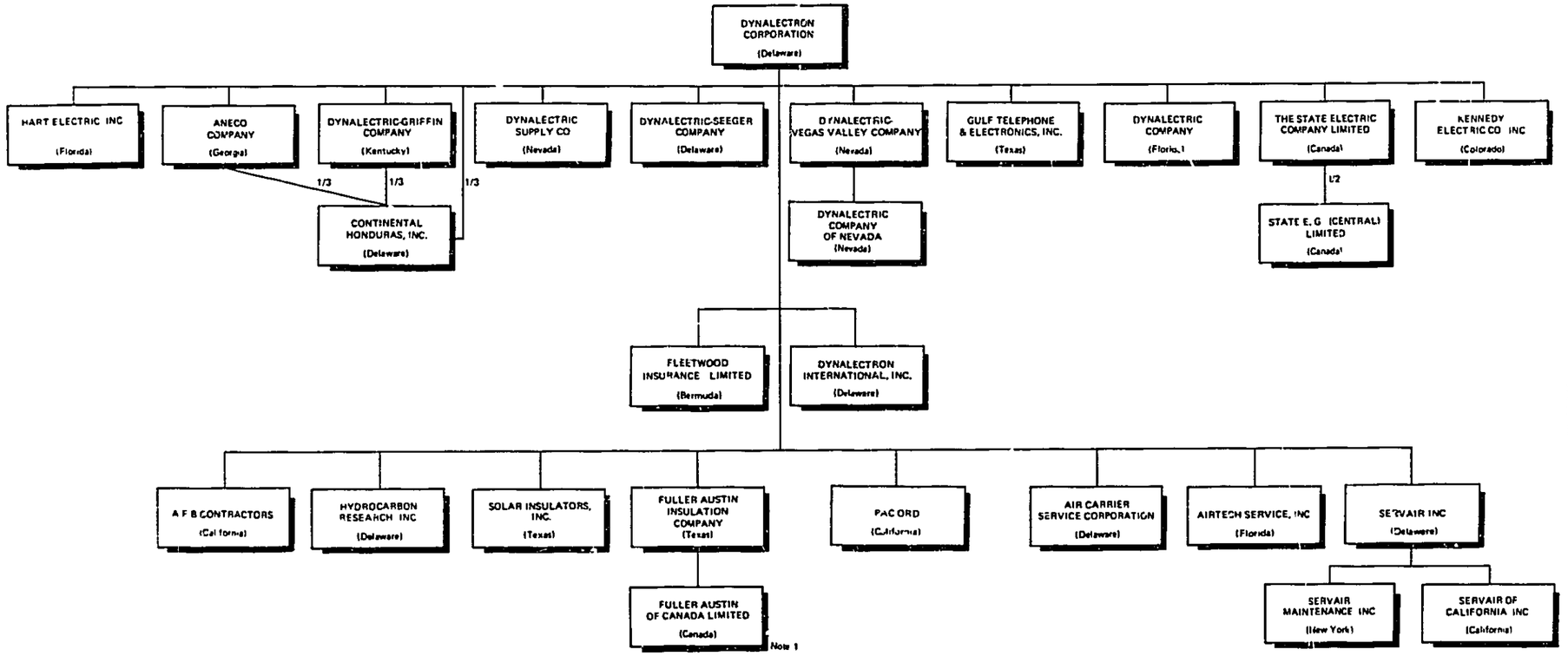

Note 1 During the month of December, 1976, Registrant learned that the Charter of Fuller Austin of Canada Limited had been dissolved in September 1973 as a result of the previous owner's failure to file the required annual reports with Canadian Provincial Authorities. Registrant has taken action to reinstate the Company's Charter by passage of a special bill through the Canadian Provincial Legislature

TABLE III

DYNALECTRON CORPORATION AND SUBSIDIARIES
OWNERSHIP CHART
AS OF March 31, 1977

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ITEM 7. APPROXIMATE NUMBER OF EQUITY SECURITY HOLDERS

Title of Class	Approximate number of record holders at December 31, 1976
Common stock	14,514*
6 - 7/8% Convertible Subordinated Notes	9
Preferred stock, Series B	13
8 - 1/4% Convertible Debentures	8
8 - 1/2% Convertible Subordinated Debentures (Series B)	2
6% Convertible Subordinated Debentures (Series C)	1

*Based upon registrar's records supplemented by broker requests for information for distribution to stockholders holding in street names, there are approximately 23,500 actual owners of the Registrant's common stock.

* * * * * * * * *

ITEM 8. EXECUTIVE OFFICERS OF THE REGISTRANT

Name	Age	Office Held
Jorge Carnicero	55	Chairman of the Board*
C. G. Gulledge	57	President and Chief Executive Officer*
M. F. Richards	56	Executive Vice President and Chief Operating Officer*
D. R. Bannister	46	Senior Vice President, Technical Services Group
G. W. Ewalt	41	Senior Vice President, Electrical Contracting Group
E. W. Holdgraf	52	Senior Vice President, Hydrocarbon Group
J. P. Schelling	52	Senior Vice President, Finance and Administration Group
E. M. Constable	58	Vice President, Finance
F. J. Del Rocco	43	Vice President, Human Resources
J. H. Tardy	46	Vice President, Management Control Project
G. A. Dunn	43	Vice President, Controller
D. L. Reichardt	34	Vice President and General Counsel
J. A. Stuart	51	Treasurer
A. Janofsky	33	Secretary and Associate Counsel

Officers of the Registrant are elected annually by the Board of Directors.

The Registrant knows of no family relationships between any of the above.

*Member, Board of Directors and Executive Committee of the Board of Directors.

Summary of Positions and Experience -

Mr. Carnicero has served as Chairman of the Board since 1955.

Mr. Gulledge has served as President since 1960 and was elected Chief Executive Officer in May, 1974.

Mr. Richards was elected to his present position in May, 1975 having served as Executive Vice President since 1974; prior thereto he served as Senior Vice President for two years and thirteen years as Vice President, Finance.

Mr. Bannister was elected to his present position in January, 1977 after serving as Group Vice President, Technical Services Group since September 1972. For six years prior thereto, he was Vice President and Director of Division Operations.

Mr. Ewalt has been an officer of the Registrant since 1966. In the last ten years, he has served in two positions as an Assistant Vice President; (1) Manager, Missile Range Space Program (December, 1967 to October, 1970), and (2) Director of Marketing (October, 1970 to September, 1971); and in two positions as a Vice President in charge of (1) Facilities Management from September, 1971 to January, 1973 and (2) the Electrical Engineering and Contracting Group from January, 1973 to September, 1973, at which time he was elected to Group Vice President, Electrical Contracting Group where he served until his election to his present position in January, 1977.

Mr. Holdgraf was employed in August, 1972 as Director of the Hydrocarbon Group and was elected Group Vice President in September, 1972. He was elected to his present position in January, 1977. Prior to joining the Registrant, he had extensive corporate level management experience directing engineering programs, process design and operations in the chemical and petrochemical fields. Most recently he was Vice President and Engineering Manager of Stone & Webster Engineering Corporation's Process Industries Group, with responsibility over U. S. and foreign operations.

Mr. Schelling served as Vice President and General Counsel from 1961 until his election to his present position in January, 1977.

Mr. Constable joined the Registrant as Vice President, Corporate Development in February, 1973 responsible primarily for the Registrant's acquisition program and was reassigned as Vice President, Finance in March, 1975. Prior to joining the Registrant, he served as Vice President, Corporate Development with Fairchild Industries, and before that as President of Lockheed Aircraft International and Aviquipo, Inc. from 1964 until January, 1973.

Mr. Del Rocco was elected Vice President, Human Resources (formerly Industrial Relations) in September, 1974, having served as Director of Corporate Industrial Relations since June, 1974 and prior thereto served six years as Manager, Industrial Relations of the Registrant's Land-Air Divsion.

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Mr. Tardy was employed by the Registrant in October, 1971, as Assistant to the Vice President, Finance; was elected Vice President and placed in charge of Management Information in December, 1971; was reassigned as Vice President, Finance in December, 1973 and as Vice President, Administration in March, 1975. In January, 1977, he became Vice President, Management Control Project.

Mr. Dunn has served as Controller since 1967. He was elected Assistant Vice President in 1971, and to his present position in December, 1973.

Mr. Reichardt was first admitted to practice law in 1968, was employed as a staff attorney in April, 1970, and was elected Secretary and Assistant General Counsel in December, 1972. In January, 1977 he was elected to his present position.

Mr. Stuart was elected to his present position in December, 1971, and prior thereto served eight years as Assistant Treasurer.

Mr. Janofsky served as Assistant Secretary and Associate Counsel from 1973 until he was elected to his present position in January, 1977.

ITEM 9. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Reference is made to Article 25 (a.-g.) of the Registrant's By-Laws (Exhibit C) which is incorporated herein by reference. The Registrant also maintains liability insurance covering certain acts by Directors and Officers.

ITEM 10. FINANCIAL STATEMENTS AND EXHIBITS

Financial Statements and Schedules	Page Numbers
Reports of Independent Public Accountants	23 and 24
Consolidated Statements of Earnings for the Years Ended December 31, 1976 and 1975	25
Consolidated Balance Sheets as of December 31, 1976 and 1975	26 and 27
Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 1976 and 1975	28
Consolidated Statements of Changes in Financial Position for the Years Ended December 31, 1976 and 1975	29
Notes to Consolidated Financial Statements	30 to 40
Schedule II	41
Schedule V	42
Schedule VI	43
Schedule VII	44
Schedule VIII	45
Schedule XII	46
Schedule XVI	47

Separate financial statements of the Registrant have been omitted since the Registrant is primarily an operating company, all subsidiaries included in the consolidated financial statements are wholly owned and the indebtedness of the subsidiaries not guaranteed by the Registrant is immaterial in relation to total consolidated assets.

Schedules not filed and the reason for their omission are as follows:

Not required	:Schedules I, III, IV, X and XIX
Not applicable	:Schedules XI, XIV, XV, XVII and XVIII
Incorporated in consolidated financial statements or notes thereto	:Schedules IX and XIII

Exhibits

Exhibit A - Computations of Earnings Per Share.

Exhibit B - Certificate of Incorporation as amended to date, consisting of (1) Composite Certificate of Incorporation as amended and as in effect on October 17, 1968; (2) Certificate of Amendment adopted May 20, 1970; (3) Certificate of Amendment adopted February 27, 1973; (4) Certificate of Amendment adopted September 13, 1973; and (5) Certificate of Amendment adopted January 7, 1975.

Exhibit C - Registrant's By-Laws, as amended to date.

Exhibit D - Specimens of Registrant's Common Stock, $.10 par value (1) One Hundred Share Certificate, (2) Less-Than-One Hundred Share Certificate and (3) Unlimited Share Certificate.

Exhibit E - Specimen of Registrant's Preferred Stock, Series A, $.10 par value - Unlimited Share Certificate.

Exhibit F - Specimen of Registrant's Preferred Stock, Series B, $.10 par value - Unlimited Share Certificate.

Exhibit G - Specimen of Registrant's 8-1/4% Convertible Debenture.

Exhibit H - Specimen of Registrant's Series A and Series B, 8-1/2% Convertible Subordinated Debenture.

Exhibit I - Specimen of Registrant's Series C, 6% Convertible Subordinated Debenture.

Exhibit J - Specimen of Promissory Notes and Loan Agreements in connection with (1) 8-1/4% Senior Loan Agreement restated with amendments as of September 1, 1976, and (2) Revolver-Term Loan Agreement, entered into as of December 31, 1976.

Notes to Exhibits

1) Exhibit B - Item (1) and (2) are incorporated herein by reference to Amendment No. 1 to the Registrant's Form 10-K for 1970 filed under cover of Form 8 and dated April 23, 1971. Item (3) is incorporated herein by reference to the Registrant's Form 10-K for 1972 dated March 31, 1973. Item (4) is incorporated herein by reference to the Registrant's Form 10-K for 1973 dated March 31, 1974. Item (5) is incorporated herein by reference to the Registrant's Form 10-K for 1974 dated March 31, 1975.

Notes to Exhibits (cont'd.)

2) Exhibit D - Items (1) and (2) are incorporated herein by reference to Amendment No. 1 to the Registrant's Form 10-K for 1970 filed under cover of Form 8 and dated April 23, 1971. Item (3) is incorporated herein by reference to the Registrant's Form 10-K for 1971 dated March 30, 1972.

3) Exhibit E is incorporated herein by reference to the Registrant's Form 10-K for 1972 dated March 31, 1973.

4) Exhibit F is incorporated herein by reference to the Registrant's Form 10-K for 1973 dated March 31, 1974.

5) Exhibit G is incorporated herein by reference to the Registrant's Form 10-K for 1974 dated March 31, 1975.

ITEMS 11 THROUGH 15.

With the exception of a portion of Item 12 which is presented below, these items are omitted as this information is included in the Registrant's proxy statement to be filed on or before April 30, 1977.

ITEM 12. (Information not included in Registrant's proxy statement to be filed on or before April 30, 1977.)

There are no known family relationships between any of Registrant's directors or between any of its directors or executive officers.

SIGNATURE

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

DYNALECTRON CORPORATION

Date: March 31, 1977

By: /S/ Erle M. Constable
Erle M. Constable
Vice President, Finance

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Dynalectron Corporation:

We have examined the consolidated balance sheets of Dynalectron Corporation (a Delaware corporation) and subsidiaries as of December 31, 1976 and 1975 and the related statements of earnings, stockholders' equity and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of Liberia Refining Company, which Dynalectron Corporation has made investments and advances representing 9.7% in 1976 and 11.6% in 1975 of total stockholders' equity. These statements were examined by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for Liberia Refining Company, is based solely upon the report of the other auditors.

The opinion of the other auditors was subject to the realization of the net assets recorded on the financial statements of Liberia Refining Company which may depend on the ultimate resolution of negotiations with the government of the Republic of Liberia for price increases to cover substantial costs incurred during 1977 resulting from a temporary cessation of production (which are discussed in Note 4) as well as perhaps the ability of Liberia Refining Company to obtain additional financing and to return to profitable operations.

In our opinion, based upon our examination and the report of other auditors referred to above, and subject to realization of the investment in and advances to Liberia Refining Company, the accompanying consolidated financial statements present fairly the financial position of Dynalectron Corporation and subsidiaries as of December 31, 1976 and 1975, and the results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied during the periods.

Washington, D. C.,
March 4, 1977.

ARTHUR ANDERSEN & CO.

DYNCORP 00301

COOPERS & LYBRAND

CERTIFIED PUBLIC ACCOUNTANTS

IN PRINCIPAL AREAS OF THE WORLD

Board of Directors,
Liberia Refining Company

We have examined the balance sheets of Liberia Refining Company at December 25, 1976 and 1975 and the related statements of operations and accumulated deficit and changes in financial position for the year ended December 25, 1976 and thirteen months ended December 25, 1975. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

On December 24, 1976, a unit of the Company's refinery was severely damaged by a fire, causing a cessation of production. The cost of repairing the facility is expected to be recovered through insurance proceeds. As a result of the cessation of production, however, the Company is incurring substantial costs during 1977 until the repairs are completed (the anticipated date for resumption of production is May 1977). These costs relate to (1) fixed overhead costs; (2) costs on imported refined products in excess of selling prices presently allowable by the Liberian government; and (3) losses from operating a tanker with a fixed time-charter obligation. It is anticipated these costs will significantly exceed the amount of the Company's stockholders' equity at December 25, 1976. The Company is negotiating with the government of the Republic of Liberia for price increases under an agreement dated January 1, 1974 guaranteeing full recovery of material costs and a fixed gross margin. The ultimate outcome of these negotiations cannot be determined. Continuation of the business may depend, however, on the results of these negotiations as well as perhaps the ability of the Company to obtain additional financing and to return to profitable operations. The financial statements referred to above have been prepared on a going-concern basis, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Such statements might be adversely affected in the event the assets and liabilities are disposed of other than in the ordinary course of business.

In our opinion, subject to the effects, if any, on the financial statements of the ultimate resolution of the matters discussed in the preceding paragraph, the financial statements referred to above (which are not presented separately in this document) present fairly the financial position of Liberia Refining Company at December 25, 1976 and 1975 and the results of its operations and the changes in its financial position for the periods then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

COOPERS & LYBRAND
Chartered Accountants

Monrovia, Liberia
March 4, 1977

DYNCORP 00303

DYNALECTRON CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS

FOR THE YEARS ENDED DECEMBER 31, 1976 AND 1975 (Dollars in thousands)

	1976	1975
REVENUES (Note 1):		
Electrical contracting services	$ 92,537	$ 88,799
Technical services	57,797	51,000
Hydrocarbon engineering and construction services	51,179	36,660
	201,513	176,459
COSTS AND EXPENSES (Note 1):		
Cost of services —		
Electrical contracting services	89,013	83,617
Technical services	53,423	46,128
Hydrocarbon engineering and construction services	46,110	31,633
Selling, general and administrative	7,249	6,881
	195,795	168,259
OTHER (INCOME) AND EXPENSE:		
Interest income	(372)	(420)
Interest expense	1,914	1,663
Sale of remaining interest in former foreign subsidiary (Note 11)	(373)	—
	1,169	1,243
Earnings before provision for income taxes	4,549	6,957
Provision for income taxes (Note 10)	2,058	3,792
Net Earnings	$ 2,491	$ 3,165
EARNINGS PER SHARE (Note 13)	$ 0.36	$ 0.46

The accompanying notes are an integral part of these statements.

DYNALECTRON CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 1976 AND 1975 (Dollars in thousands)

A S S E T S

	1976	1975
CURRENT ASSETS:		
Cash (including marketable securities of $572 in 1976) (Note 5)	$ 3,364	$ 2,018
Notes and current portion of long-term receivables	1,201	1,442
Accounts receivable (Note 3) -		
U. S. Government	9,264	3,541
Trade and other	33,655	30,580
Allowances for doubtful accounts (Schedule XII)	(848)	(732)
Contracts in process (Notes 1 and 3)	11,664	8,532
Inventories of purchased products and supplies, at lower of cost (first-in, first-out) or market	6,325	5,987
Prepaid expenses	1,058	843
Total current assets	65,683	52,211
LONG-TERM RECEIVABLES:		
Stockholders and officers (Note 3 and Schedule II)	271	283
Other, due through 1983, less current portion included above and allowances for possible nonrecovery of $179 in 1976 and $223 in 1975 (Schedule XII)	482	782
PROPERTY AND EQUIPMENT, at cost (Note 1 and Schedule V):		
Land	1,225	1,247
Buildings and leasehold improvements	4,877	4,484
Machinery and equipment	12,925	10,242
	19,027	15,973
Accumulated depreciation and amortization (Schedule VI)	(7,160)	(5,608)
Net property and equipment	11,867	10,365
INVESTMENT IN AND ADVANCES TO LIBERIA REFINING COMPANY (excluding $254 in 1975 included in current notes receivable) (Note 4)	2,877	2,934
PATENTS AND PROCESSES (Note 1)		
COST IN EXCESS OF NET TANGIBLE ASSETS OF BUSINESSES ACQUIRED, at cost less accumulated amortization of $612 in 1976 and $415 in 1975 (Note 1 and Schedules VII and VIII)	5,057	2,965
OTHER ASSETS (including net deferred tax charges of $1201 in 1976 and $727 in 1975)	1,757	1,565
	$87,994	$71,105

The accompanying notes are an integral part of these balance sheets.

DYNCORP 00305

DYNALECTRON CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 1976 AND 1975 (Dollars in thousands)

LIABILITIES AND STOCKHOLDERS' EQUITY

	1976	1975
CURRENT LIABILITIES:		
Bank loans (Note 5)	$ 3,159	$ 950
Notes payable and current portion of long-term debt (Note 6)	1,778	1,243
Accounts payable	11,995	8,252
Advances on contracts in process	3,739	6,420
Accrued income taxes, including deferred income taxes of $4,490 in 1976 and $3,355 in 1975 (Note 10)	5,921	5,060
Accrued expenses (Note 7)	9,608	7,737
Total current liabilities	36,200	29,662
LONG-TERM DEBT (Note 6):		
8-½% Senior promissory notes (Net of unamortized discount of $96 in 1976 and $106 in 1975)	7,504	7,894
6-7/8% Convertible subordinated notes (net of unamortized discount of $26 in 1976 and $29 in 1975)	4,049	4,046
Other long-term debt, less portion due within one year	8,180	2,339
Total long-term debt	19,733	14,279
OTHER LIABILITIES AND DEFERRED CREDITS (primarily deferred compensation payable in 1978)	2,350	1,923
Total liabilities	58,283	45,864
COMMITMENTS, CONTINGENCIES AND LITIGATION (Note 15)		
STOCKHOLDERS' EQUITY:		
Capital stock, par value ten cents per share - Preferred stock, authorized 1,000,000 shares; outstanding 30,750 shares in 1976 and 750 shares in 1975, at liquidation value of $80 per share (Note 3)	2,460	60
Common stock, authorized 10,000,000 shares; outstanding or in treasury 6,835,938 shares in 1976 (Note 9)	684	684
Paid-in surplus	13,627	13,689
Retained earnings (Note 5)	14,588	12,503
Common stock held in treasury, at cost; 332,949 shares in 1976 and 342,416 shares in 1975	(1,648)	(1,695)
Total stockholders' equity	29,711	25,241
	$87,994	$71,105

The accompanying notes are an integral part of these balance sheets.

DYNALECTRON CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 1976 AND 1975 (Dollars in thousands)

	Preferred Stock	Common Stock	Paid-in Surplus	Retained Earnings	Treasury Stock
BALANCE, December 31, 1974	$ 190	$667	$12,828	$ 9,664	$ (473)
Stock issued as additional consideration in connection with earn-out provisions of an acquired subsidiary		17	861		
Stock returned under warranty provisions of acquisition agreements					(2)
Stock repurchased from former owners of a subsidiary under an option arrangement					(1,220)
Transfer to current liability prior to exercise of redemption option	(130)				
Cash dividends (Note 9)				(326)	
Net earnings				3,165	
BALANCE, December 31, 1975	60	684	13,689	12,503	(1,695)
Stock issued as consideration for a 1975 acquisition (Note 8)	2,400		(49)		
Exercise of stock options			(13)		47
Cash dividends (Note 9)				(406)	
Net earnings				2,491	
BALANCE, December 31, 1976	$2,460	$684	$13,627	$14,588	$(1,648)

The accompanying notes are an integral part of these statements.

DYNALECTRON CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

FOR THE YEARS ENDED DECEMBER 31, 1976 AND 1975 (Dollars in thousands)

	1976	1975
SOURCES OF WORKING CAPITAL:		
Net earnings	$ 2,491	$ 3,165
Items not requiring (providing) working capital —		
Depreciation and amortization of property and equipment	2,227	1,834
Deferred income taxes (noncurrent portion)	(474)	(186)
Deferred compensation	480	391
Other	218	173
Working capital provided from operations	4,942	5,377
Issuance of long-term debt	6,471	674
Issuance of stock	2,447	878
Disposals of property and equipment	87	899
Other, net	499	649
Total sources	14,446	8,477
APPLICATIONS OF WORKING CAPITAL:		
Investment in property and equipment	2,701	3,398
Decrease in long-term debt	1,154	719
Purchase of treasury stock	—	1,222
Payment of cash dividends	406	326
Noncurrent assets and liabilities of acquired companies -		
Property and equipment	1,115	621
Long-term debt	(116)	(306)
Other	12	79
Increase in cost in excess of net tangible assets of businesses acquired	2,240	—
Total applications	7,512	6,059
INCREASE IN WORKING CAPITAL	6,934	2,418
Working capital, beginning of year	22,549	20,131
WORKING CAPITAL, END OF YEAR	$29,483	$22,549
CHANGES IN WORKING CAPITAL:		
Increase (decrease) in current assets —		
Cash	$ 1,346	$ (453)
Notes and current portion of long-term receivables	(241)	(892)
Accounts receivable	8,682	1,252
Contracts in process	3,132	3,404
Inventories	338	(506)
Prepaid expenses	215	214
Decrease (increase) in current liabilities —		
Bank loans	(2,209)	3,125
Notes payable and current portion of long-term debt	(535)	1,186
Accounts payable	(3,743)	(761)
Advances on contracts in process	2,681	(2,254)
Accrued income taxes	(861)	(814)
Accrued expenses	(1,871)	(1,083)
INCREASE IN WORKING CAPITAL	$ 6,934	$ 2,418

The accompanying notes are an integral part of these statements.

DYNCORP 00308

DYNALECTRON CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies

Principles of Consolidation — The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. All significant intercompany accounts and transactions have been eliminated.

Translation of Foreign Currencies — Accounts of the Company's foreign operations (primarily Canadian) have been translated into United States dollars at the year-end exchange rate for cash, receivables and liabilities and at the exchange rates prevailing at the transaction dates for other balance sheet accounts and for revenue and expense accounts. Translation gains and losses are recognized in the year of occurrence. Included in selling, general and administrative expense are net translation losses of approximately $58,000 in 1976 and $118,000 in 1975.

Contract Accounting — Contracts in process are stated at the lower of actual cost incurred plus accrued profits or at net estimated realizable value, reduced by progress billings. The Company records income from major construction and engineering contracts, which extend over more than one accounting period, using a labor-based percentage-of-completion method. Losses on contracts are recognized as soon as they become known. Proceeds from claims against customers, as well as adjustments arising out of construction and engineering contracts, are recorded at the time collectibility becomes reasonably assured.

Property and Equipment — The Company generally computes depreciation and amortization on a straight-line basis over the estimated service life for property and equipment. Estimates currently used, by type of property, are:

Type of Property	Estimated Life
Buildings	15 - 33 years
Machinery and equipment	2 - 12 years
Leasehold improvements	Term of lease

Cost of property and equipment sold or retired and the related reserves for depreciation or amortization are removed from the accounts in the year of disposal, and any gains or losses are reflected in the consolidated statement of earnings. Expenditures for maintenance and repairs are charged to expense as incurred, and major additions and betterments are capitalized.

Cost in Excess of Net Tangible Assets of Businesses Acquired — The Company generally amortizes the cost in excess of net tangible assets of businesses acquired on a straight-line basis over a 40-year period. The Company recorded amortization of $148,000 in 1976 and $160,000 in 1975.

Income Taxes — The Company and its domestic subsidiaries file a consolidated Federal income tax return. Deferred income taxes arise from timing differences between the book and tax recognition of certain income and expense items. The Company uses the flow-through method of accounting for investment credits.

Research and Development — Patents and processes are carried at a nominal value. The Company expensed research and development costs for its own account of $305,000 in 1976 and $17,000 in 1975.

(2) Acquisitions

In January 1976, the Company purchased all of the outstanding stock of Kennedy Electric Co., Inc. (Kennedy), an electrical contracting firm, for $264,000 of Series A and $616,000 of Series B 8 - 1/2% Convertible Subordinated Debentures. The Company may be required to issue an additional $440,000 of Series B Debentures depending upon the earnings of Kennedy over a three-year period ending December 31, 1978. The Series B Debentures are convertible into common stock of the Company at a conversion price of $8.00 per share. The Series A Debentures were redeemed for cash in April 1976.

Concurrent with the acquisition, the Company entered into an incentive bonus plan whereby selected key officers and employees of Kennedy may be paid up to $990,000 (of which up to 50% may be paid in common stock at the option of the Company) during the five-year period ending December 31, 1980, depending upon the level of earnings over that period. The earnings level of Kennedy was not sufficient to accrue any amounts in 1976 under the terms of this plan.

Effective July 1976, the Company purchased all of the outstanding stock of PACORD, Inc., a firm engaged in engineering and technical services for United States and foreign naval agencies, for $241,666 in cash and $591,667 of Series C 6% Convertible Subordinated Debentures. Of the Debentures issued, $440,000 were placed into escrow to secure the Company against undisclosed liabilities and any breach of certain representations and warranties, including a guaranteed average earnings level. Series C Debentures are convertible into common stock of the Company at a conversion price of $8.00 per share. The Company can force conversion if the market price of the Company's common stock exceeds $10 per share for ten consecutive trading days.

At the time of acquisition, an incentive bonus plan was established under which selected officers and key employees may be paid up to $2,400,000 (of which up to 50% may be paid in common stock at the option of the Company) for their covenants not to compete with the Company and the achievement of earnings in excess of a stipulated amount during the 46-month period ending December 31, 1979. At December 31, 1976, $90,693 has been accrued in accordance with the terms of this plan.

Revenues, net earnings and earnings per common share, adjusted on an unaudited pro forma basis to include data for the companies purchased in 1976 as though they had been acquired at the beginning of 1975, are as follows:

	1976	1975
	(In thousands)	
Revenues	$204,759	$191,405
Net earnings	$ 2,529	$ 3,385
Earnings per share	$ 0.37	$ 0.49

(3) Receivables and Contracts in Process

Accounts receivable include contractual retentions of approximately $7,738,000 in 1976 and $7,370,000 in 1975. Approximately $915,000 of the retentions due at December 31, 1976, are expected to be collected after one year.

Included in contracts in process at December 31, 1976 and 1975, are amounts aggregating approximately $4,458,000 and $2,370,000, respectively, relating primarily to the following:

— overhead and other indirect costs incurred in excess of amounts billable under provisional rates on Government contracts, which amounts cannot be billed until audits by and negotiations with Government agencies have been completed;

— accrued award fees on Government contracts recorded at estimated amounts;

— claims for reimbursement of additional costs resulting from extension of construction contracts and changed conditions, currently under negotiations; and

— an amount relating to a contract which is currently under arbitration.

Based on information currently available, it appears that approximately $648,000 of the aggregate amount at December 31, 1976, may not be collected within one year.

At December 31, 1976, notes receivable from former owners of acquired subsidiaries consisted of the following:

	Current	Long-Term	Interest Rate
	(In thousands)		
Payable on or before July, 1980	$ —	$ 76	6%
Payable through April, 1979	47	130	9%
Payable through November, 1979	—	25	8%
Payable on or before June, 1980	—	40	9-1/4%
	$ 47	$271	

The 9% note is secured by 98,680 shares of the Company's common stock which were issued to the former owner in connection with the acquisition of the subsidiary.

(4) Liberia Refining Company

Liberia Refining Company (LRC) has an exclusive right, granted by the Liberian Government, to operate an oil refinery located in Liberia. At the end of 1993, the ownership of the refinery reverts to the Liberian Government. At December 31, 1976, the Company had unrestricted ownership of 18% of LRC stock, and, in addition thereto, 12% is in escrow for distribution to Liberian nationals and a nonprofit Liberian organization. The Company has a contractual interest (carried at zero book value) to share in proceeds from the escrow, which are contingent on future dividends from LRC.

At December 31, 1976, the Company's investment in and advances to LRC (accounted for on a cost basis) aggregated $2,877,000, including $849,000 representing the Company's unamortized equity investment (being amortized ratably through 1993) and a 7.81% note of $2,028,000 (due in semi-annual installments through 1984) secured by a first mortgage on the refinery. In addition, the Company has provided guarantees of credit for LRC of approximately $700,000.

The concession under which LRC operates gives the Government of Liberia jurisdiction over refinery prices and commits the Government to maintain a pricing structure which would permit the refinery to operate at a profit. Pursuant to that commitment, a product price adjustment formula was agreed to by the Liberian Government and the refinery in 1974. The refinery operated at approximately a break-even level during 1976 before an unusual loss from a forced resale of crude oil necessitated by the cessation of production caused by a fire.

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On December 24, 1976 a unit of LRC's refinery was severely damaged by a fire, causing a cessation of production. The cost of repairing the facility is expected to be recovered through insurance proceeds. As a result of the cessation of production, however, LRC is incurring substantial costs during 1977 until the repairs are completed (the anticipated date for resumption of production is May, 1977). These costs relate to (1) fixed overhead costs; (2) costs on imported refined products in excess of selling prices presently allowable by the Liberian Government; and (3) losses from operating a tanker with a fixed time-charter obligation. It is anticipated these costs will significantly exceed the amount of LRC's stockholder's equity at December 25, 1976. LRC is negotiating with the Liberian Government for price increases under the product price adjustment formula described above. The ultimate outcome of these negotiations cannot be determined. Realization of LRC's recorded net assets may depend, however, on the results of these negotiations.

(5) Lines of Credit

As of December 31, 1976, the Company was borrowing $7,659,000 under its bank credit lines. In January 1977, the Company revised its bank credit arrangements as described below.

Under a Revolver-Term Loan Agreement with five major banks, the Company may borrow up to $4,500,000 until December 31, 1979, at interest rates of one-quarter, one-half and three-quarters percent over the prime rate for the calendar years 1977, 1978 and 1979, respectively, plus a commitment fee of one-half percent on the unused portion. Compensating balances equal to 10% of the commitment plus 10% of the amounts borrowed are required. The Company may convert any balance outstanding at December 31, 1979, to a four-year term loan with interest at 115% of the prime rate and a requirement to maintain compensating balances at 20%. The total amount available under this agreement was drawn down in January and accordingly, $4,500,000 has been classified as long-term debt at December 31, 1976 (see Note 6).

Under a Credit Agreement with the same banks, an additional $4,500,000 may be borrowed at the prime interest rate. This agreement, which expires June 30, 1977, is renewable annually thereafter at the option of the banks and is subject to the same restrictions, guarantees, commitment fees and compensating balance terms.

Both the Revolver-Term Loan Agreement and the Credit Agreement contain provisions regarding minimum current ratio and working capital as well as limitations on investments and current debt. Cash dividends paid in any year are limited to 25% of the prior year's net income, as defined.

In addition to the above arrangements, the Company has open bank credit lines totalling $10,500,000, of which a maximum of $8,500,000 can be borrowed at any one time within the limits imposed by the agreements with the five banks. These open credit lines are available at the prime interest rate and are subject to an informal compensating balance understanding of 10% of the commitment plus 10% of any amounts borrowed.

Significant data regarding borrowings under the Company's lines of credit are summarized below.

	1976	1975
	(In thousands)	
Monthly weighted average borrowings outstanding during the year	$6,051	$3,998
Monthly weighted average interest rate	7.8%	8.8%
Maximum borrowings outstanding at any month end	$9,398	$6,300
Weighted average interest on December 31 borrowings outstanding	6.6%	7.3%

(6) Long-term Debt

Long-term debt under various loan agreements is summarized below.

8 - 1/2% Senior Promissory Notes (face amount - $8,000,000)

The agreement provides for payments in annual installments during the period 1977 through 1988. The Company, subject to certain restrictions, may prepay the notes at prices decreasing from 105.225% of principal in 1977 to 100% in 1987. A $400,000 installment payable in 1977 is included in the current portion of long-term debt.

DYNCORP 00312

6 - 7/8% Convertible Subordinated Notes (face amount - $4,075,000)

The agreement provides for payments of $407,500 annually commencing in 1979 and the Company, subject to certain restrictions, may prepay the notes at prices decreasing from 104.4% of principal in 1977 to 100% in 1988. The notes are convertible into common stock at $13.93 per share (subject to periodic adjustment under antidilution provisions).

Significant Provisions

The loan agreements covering the senior and subordinated notes contain, among other things, provisions regarding minimum working capital, limitations as to certain investments, payments of cash dividends and increases in funded debt, all as defined, and require that short-term bank borrowings be less than $1,000,000 for a period of 45 consecutive days once every 15 months.

At December 31, 1976 and 1975, other long-term debt consisted of the following:

	1976	1975
	(In thousands)	
Notes issued in connection with acquisitions:		
Semiannual installments of $203,213 with final installment of $177,812 due July 1, 1977, interest at 8 - 1/4%, convertible at $8.00 per share	$ 381	$ 787
Semiannual installments of $50,400 with final installment due July 5, 1978, interest at 8 - 1/4%	202	302
Payable in June, 1978, contingent upon satisfaction of warranties including a guaranteed average earnings level, interest at 8 - 1/4%	305	305
Semiannual installments of $6,750 commencing in 1979, interest at 9%	135	135
Series B Debentures, payable January 30, 1981, interest at 8 - 1/2%, convertible at $8.00 per share	616	—
Semiannual installments through 1988, net of imputed interest at 9% of $223,000 in 1976 and $256,000 in 1975	384	384
Series C Debentures, payable July 1, 1982, interest at 6%, convertible at $8.00 per share	127	—
Payable to employees of a subsidiary, on various dates	183	183
Revolver-Term loan, due in quarterly installments from 1980 to 1983 (see Note 5)	4,500	—
Bank term loan, due in quarterly installments of $50,000 through 1981, interest at 1% over prime	950	—
Real estate mortgage loans, due in monthly installments through 2000, interest rates from 6% to 10%	626	674
Other, principally equipment notes and capitalized equipment leases, payable through 1984 at various interest rates	667	310
	9,076	3,080
Less:		
Current portion	(396)	(741)
	$8,180	$2,339

DYNCORP 00313

Maturities of long-term debt for years subsequent to December 31, 1976, are as follows:

Year Ended	8-1/2% Senior and 6-7/8% Convertible Notes	Other Long-Term Debt	Total
	(In thousands)		
1977	$ 400	$ 896	$ 1,296
1978	400	919	1,319
1979	807	433	1,240
1980	1,008	1,545	2,553
1981	1,008	2,069	3,077
After 1981	8,452	3,214	11,666

(7) Accrued Expenses

At December 31, 1976 and 1975, accrued expenses consisted of the following:

	1976	1975
	(In thousands)	
Salaries and wages	$5,032	$3,981
Payroll and miscellaneous taxes	1,747	1,166
Interest	309	217
Other	2,520	2,373
	$9,608	$7,737

(8) Preferred Stock

As of December 31, 1976, the Company recognized as outstanding 30,000 shares of Series B preferred stock, which was issued into escrow on January 14, 1975, in connection with an acquisition. This recognition resulted in a $2,400,000 increase in cost in excess of net tangible assets of businesses acquired. An additional 1,250 of the shares issued in 1975 have been retained in escrow to secure the Company against undisclosed liabilities and breach of certain representations and warranties made by the former owner of AFB Contractors at the time it was purchased. Also outstanding at December 31. 1976, were 750 shares of Series B preferred stock issued September 21, 1973.

The preferred shares are convertible into the Company's common stock at a rate of ten shares of common for each share of preferred and participate in cash dividends with common shares at a rate of ten to one. The Company can require conversion of the preferred stock to common stock if the market price of its common stock is $10 or more for a period of thirty days.

The shares have one vote per share and are redeemable in cash at the option of the holder during a period of 210 days, commencing with the beginning of the sixtieth month from date of issuance, at the liquidation preference value plus 6% per annum from the date of issuance, less any cash dividends received.

The Company has established an incentive stock compensation plan for key employees of AFB Contractors, whereby up to 31,250 additional shares of Series B convertible preferred stock could be issued to plan participants, depending on the level of earnings over the three-year period ending December 31, 1979. The preferred stock which may be required to be issued pursuant to the incentive stock bonus plan will be accounted for at $80 per share at the time it becomes issuable to plan participants.

(9) Common Stock

At December 31, 1976, common stock was reserved as follows:

	Shares
Conversion of 6-7/8% subordinated notes at $13.93 per share	292,534
Conversion of convertible debentures	253,586
Conversion of convertible preferred stock	632,500
Employee stock options; expected to be satisfied with Treasury stock	393,533
Incentive compensation plans and employment contracts, contingent on future earnings of acquired companies	1,054,050
	2,626,203

Under the Company's stock option plans, qualified options to purchase the Company's common stock may be granted to officers and key employees at an amount not less than market value on date of grant. These options are generally exercisable two years after grant and expire five years after grant. Options exercisable at December 31, 1976, expire as follows: 12,200 shares in 1977, 165,374 in 1978, and 91,250 in 1979.

The following table summarizes the current year's option activity:

	Shares
Outstanding options at December 31, 1975	292,123
Options granted during the year	28,700
Options exercised during the year	(9,467)
Options cancelled or expired during the year	(9,332)
Outstanding options at December 31, 1976	302,024

Details with respect to options issued under the plans are as follows:

	1976	1975
Options outstanding at end of year —		
Number	302,024	292,123
Option price and market price at date of grant —		
Per share	$1.94 - $5.57	$1.94 - $7.60
Total	$1,139,000	$1,089,000
Options which became exercisable during the year —		
Number	91,650	178,063
Option price —		
Per share	$1.94 - $5.57	$2.94 - $3.85
Total	$328,000	$666,000
Market price at dates options became exercisable —		
Per share	$3.68 - $5.00	$2.62 - $3.25
Total	$431,000	$511,000
Options exercised during the year —		
Option price —		
Per share	$3.63 - $3.85	$——
Total	$34,000	$——
Market price at dates options were exercised —		
Per share	$3.75 - $5.62	$——
Total	$49,000	$——

DYNCORP 00315

Shares available for the granting of options under the plans and not granted at the beginning and end of 1976 were 112,917 and 91,509, respectively.

The Company paid a cash dividend of $0.05 per common share and $0.50 per preferred share on April 28, 1975, and $0.06 per common share and $0.60 per preferred share on April 16, 1976.

(10) Income Taxes

The provision for income taxes consists of the following (in thousands):

	1976		
	Current	Deferred	Total
Federal	$ 1,870	$ (969)	$ 901
Foreign	782	32	814
State	436	(93)	343
	$ 3,088	$ (1,030)	$2,058

	1975		
	Current	Deferred	Total
Federal	$1,748	$(253)	$1,495
Foreign	1,972	(58)	1,914
State	431	(48)	383
	$4,151	$(359)	$3,792

Deferred taxes, resulting from timing differences in the recognition of revenues and expenses for tax and financial statement purposes, are as follows:

	1976	1975
	(In thousands)	
Differences between revenues recognized on book method of accounting (primarily percentage-of-completion) and on tax return (primarily completed contract)	$(1,125)	$ 182
Deferred compensation expense deductible on tax return when paid	(284)	(228)
Warranty and other reserves deductible on tax return when paid	475	(300)
Difference between tax and book depreciation	(45)	(24)
Other	(51)	11
	$(1,030)	$(359)

Total tax expense in 1976 and 1975 was different from the amounts obtained by applying the U. S. Federal income tax rate of 48% to the respective income before tax amounts. The differences (in percentages) can be reconciled as follows:

	Percent of Pretax Income	
	1976	1975
Computed "expected" tax expense	48.0%	48.0%
State and local income taxes, net of Federal income tax benefit	3.9	2.9
Capital gain income not taxable due to capital loss carry-forward	(4.1)	--
Other, net	(2.6)	3.6
Actual expense	45.2%	54.5%

DYNCORP 00316

U. S. income taxes have not been provided on $2,990,000 of undistributed earnings of foreign subsidiaries included in consolidated retained earnings at December 31, 1976, because management's policy is to remit foreign earnings only to the extent that taxes otherwise payable at the time of a distribution are expected to be offset by utilization of tax credits then available.

The Company's U. S. income tax returns have been examined and settled through 1971. The years 1972, 1973 and 1974 are currently under review by the Internal Revenue Service. In the opinion of management, the results of this review will not have a material adverse affect on the Company's financial position.

(11) Quarterly Financial Data

Summarized quarterly financial data (in thousands of dollars except per share amounts) for 1976 is as follows:

	Quarter Ended (Unaudited)			
	April 1	July 1	Sept. 30	Dec. 31
Revenues	$46,241	$46,618	$51,250	$57,404
Gross profit	$ 2,919	$ 3,379	$ 3,319	$ 3,350
Net earnings	$ 542	$ 580	$ 830	$ 539
Earnings per share:				
Primary	$ 0.08	$ 0.08	$ 0.12	$ 0.08
Fully diluted	$ 0.08	$ 0.08	$ 0.11	$ 0.08

During 1976 the Company sold its remaining interests in a former foreign subsidiary for a total gain of $373,000, of which $38,000 was realized in the quarter ended April 1, and $335,000 was realized in the quarter ended September 30.

(12) Pension Plans

The Company and its subsidiaries provide funds for pension and/or profit-sharing retirement plans covering most employees. Certain of these are union plans, the payments to which are limited by the related union contracts to fixed amounts per hours worked by covered employees. The nonunion plans generally provide that employees are eligible for retirement at age 65. The Company's present policy on fixed benefit plans is to fund the current year's normal cost of such plans plus a portion of the prior service cost accrued. The unfunded prior service costs of the nonunion plans, based on the latest available actuarial reports, amount to approximately $2,607,000 at December 31, 1976, and are being amortized over 30 years. The approximate cost of the nonunion plans, included in costs and expenses in the accompanying consolidated statements of earnings, was $751,000 in 1976 and $563,000 in 1975, including amortization of prior service costs. In the aggregate, the net assets of the respective nonunion pension funds exceeded the actuarially computed value of participants vested benefits at December 31, 1976.

(13) Earnings Per Share

Earnings per share computations are based on the weighted average number of common shares and dilutive common equivalent shares outstanding during the respective years. The weighted average number of common shares and common equivalent shares used in determining primary earnings per share for 1976 was 6,531,154 and for 1975 was 6,796,212. Net earnings for purposes of computing earnings per share have been adjusted for preferred stock dividends and amortization of contingent expenses.

Under terms of incentive plans based on earnings, the employees of certain acquired companies can earn an additional $4,395,000 payable in the future either in cash or common stock at the option of the Company. The earnings level of these acquired companies since acquisition is sufficient to project attainment of $3,105,000 of the maximum amount (of which $2,457,000 has been earned to date). It is the intention of the Company at this time to satisfy these contingent obligations in cash. Accordingly, the weighted average number of common shares outstanding does not include any shares for future satisfaction of these contingencies.

Under terms of an incentive plan based on earnings during the period 1977 to 1979, the employees of an acquired company can earn an additional $2,500,000 payable in 1980 in convertible preferred stock. The earnings level for the current year is sufficient to project attainment of $2,160,000 of this amount. The fully diluted earnings per share computation includes provision for conversion of the maximum number of shares. There is no dilution of earnings per share under the fully diluted earnings per share computation.

(14) Incentive Compensation Plans

The Company and its subsidiaries have established certain incentive compensation plans. The most significant plans, which generally cover officers and key employees, are:

Management Incentive Compensation Plan (Management Plan)

The Management Plan is administered by a committee composed of the Chairman of the Board and three outside directors. The maximum amount that can be distributed under the plan is equal to 10% of the Company's net earnings (as defined) during the year in excess of 12% of the Company's average capital investment (as defined), plus an additional amount not to exceed 0.5% of the Company's consolidated revenues. Individual awards are discretionary but may not exceed 80% of annual base compensation.

Profit Sharing Plan for Operating Divisions and Subsidiaries (Profit Sharing Plan)

The Profit Sharing Plan is administered by the President of the Company. The maximum amount that can be distributed under the Plan, unless otherwise approved by the Executive Committee of the Board, is equal to 5% of the earnings base (as defined) of each participating division or subsidiary. No participant under the Profit Sharing Plan is eligible to receive compensation thereunder in an amount in excess of 60% of said participant's base salary for the year.

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In addition to the above, the Company has established incentive bonus plans for certain officers and key employees of recently acquired companies. These plans provide for payments in cash or stock at a future date depending upon attainment of earnings (as defined) in excess of stipulated base amounts over specified periods of time (generally three or four years). In addition, certain subsidiaries not covered under the Profit Sharing Plan have established their own individual profit sharing plans.

The aggregate amount of incentive compensation expense included in the consolidated statements of earnings was as follows:

	1976	1975
	(In thousands)	
Management plan	$ 547	$ 547
Profit sharing plan	415	342
Special plans for employees of recently acquired companies	571	391
Other plans	381	638
	$1,914	$1,918

(15) Commitments, Contingencies and Litigation

The Company and certain of its wholly owned subsidiaries are parties to various civil lawsuits which have arisen in the normal course of business. While it is not possible to predict with certainty the outcome of such litigation, it is the opinion of Company management, based in part upon opinions of counsel and insurance in force, that liability, if any, arising from such lawsuits would not individually or in the aggregate have a material adverse affect on the consolidated financial position of the Company.

A substantial part of the Company's business is with departments and agencies of the U. S. Government and is subject to the Renegotiation Act of 1951. The Company has been cleared by the Renegotiation Board through 1970. In addition, the Company frequently extends patent indemnity commitments and performance guarantees in connection with the licensing of processes. In the opinion of management, the consolidated financial position of the Company will not be materially adversely affected by such matters.

Rentals for leased property and equipment were approximately $2,681,000 in 1976 and $2,200,000 in 1975.

As of December 31, 1976, the Company was committed under leases having an unexpired term of one year or more expiring on various dates through 1991. These leases require annual rentals as follows:

Period	Operation and Office Facilities	Aircraft Ground Handling Equipment	Total
	(In thousands)		
1977	$ 1,255	$ 321	$ 1,576
1978	1,176	321	1,497
1979	1,110	50	1,160
1980	887	47	934
1981	685	4	689
1982 - 1986	2,115	--	2,115
1987 - 1991	660	--	660

The operation and office facilities lease agreements, in addition to basic rentals, generally have renewal options and contain rent and real estate tax escalation clauses. Rental income from subleases, which is not material, has been netted against rent expense.

DYNALECTRON CORPORATION AND SUBSIDIARIES

SCHEDULE II - AMOUNTS RECEIVABLE FROM UNDERWRITERS, PROMOTERS, DIRECTORS, OFFICERS, EMPLOYEES AND PRINCIPAL HOLDERS (OTHER THAN AFFILIATES) OF EQUITY SECURITIES OF THE PERSON AND ITS AFFILIATES

FOR THE YEARS ENDED DECEMBER 31, 1976 AND 1975 (In thousands)

Name of debtor	Balance at beginning of period	Additions	Deductions		Balance at end of period	
			Amounts Collected	Amounts Written Off	Current	Not Current
December 31, 1975						
W. L. Trent, Jr.	$210	$ —	$(21)		$47	$142
J. W. Gibson	25	40				65
A. A. Bradford		76				76
	$235	$116	$(21)		$47	$283
December 31, 1976						
W. L. Trent, Jr.	$189		$(12)		$47	$130
J. W. Gibson	65					65
A. A. Bradford	76					76
	$330		$(12)		$47 (1)	$271 (1)

(1) See Note 3 of Notes to Consolidated Financial Statements.

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DYNALECTRON CORPORATION AND SUBSIDIARIES

SCHEDULE V - PROPERTY AND EQUIPMENT

FOR THE YEARS ENDED DECEMBER 31, 1976 AND 1975 (In thousands)

Classification	Balance at beginning of period	Additions at cost	Retirements or sales	Other changes - add (deduct)	Balance at end of period
December 31, 1975					
Land	$ 1,061	$ 213 (1)	$ (71)	$ 44 (2)	$ 1,247
Buildings and leasehold improvements	3,141	1,401 (1)	(327)	269 (2)	4,484
Machinery and equipment	8,409	2,407	(882)	308 (2)	10,242
	$12,611	$4,021	$(1,280)	$ 621	$15,973
December 31, 1976					
Land	$ 1,247	$ —	$ (22)	$ —	$ 1,225
Buildings and leasehold improvements	4,484	463	(102)	32 (2)	4,877
Machinery and equipment	10,242	2,238	(638)	1,083 (2)	12,925
	$15,973	$2,701	$ (762)	$1,115	$19,027

	Land	Buildings and leasehold improvements		Machinery and equipment	
	1975	1976	1975	1976	1975
(1) Includes reclassification from Other Assets to operating property	$ 90		$533		
(2) Cos. of property and equipment, on dates of acquisition, of companies purchased is as follows:					
Kennedy Electric		$ 16		$ 322	
PAC ORD		16		761	
AFB Contractors, Inc.	$ 44		$269		$308
	$ 44	$ 32	$269	$1,083	$308

DYNALECTRON CORPORATION AND SUBSIDIARIES

SCHEDULE VI - ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY AND EQUIPMENT

FOR THE YEARS ENDED DECEMBER 31, 1976 AND 1975 (In thousands)

Description	Balance at beginning of period	Additions charged to cost and expense	Retirements or sales	Other changes - add (deduct)	Balance at end of period
December 31, 1975					
Buildings and leasehold improvements	$ 740	$ 358	$(128)		$ 970
Machinery and equipment	3,415	1,476	(253)		4,638
	$4,155	$1,834	$(381)		$5,608
December 31, 1976					
Buildings and leasehold improvements	$ 970	$ 307	$(100)		$1,177
Machinery and equipment	4,638	1,920	(575)		5,983
	$5,608	$2,227	$(675)		$7,160

DYNALECTRON CORPORATION AND SUBSIDIARIES

SCHEDULE VII - INTANGIBLE ASSETS

FOR THE YEARS ENDED DECEMBER 31, 1976 AND 1975 (In thousands)

Description	Balance at Beginning of Period	Additions at Cost	Deductions		Other Changes Add (deduct)	Balance at Close of Period
			Charged to Costs and Expenses	Charged to Other Accounts		
	December 31, 1975					
Cost in excess of net tangible assets of businesses acquired	$3,399	$130 (1) 14 (5)		$ 50 (4) 36 (6) 77		$3,380
	$3,399	$144		$163		$3,380
	December 31, 1976					
Cost in excess of net tangible assets of businesses acquired	$3,380	$2,409 (1) 225 (1) 93 (2)		$ 29 (3) 409 (4)		$5,669
	$3,380	$2,727		$438		$5,669

(1) Additional consideration accrued in connection with earn-out provisions of subsidiaries acquired.
(2) Subsidiary acquired January, 1976.
(3) Transferred to long-term receivable as warranty claim against former owners.
(4) Negative goodwill in connection with subsidiary acquired.
(5) Federal Income Tax payment applicable to period prior to subsidiary's acquisition.
(6) Amortization of goodwill applicable to prior period.
(7) Subsidiary sold in 1975.

DYNALECTRON CORPORATION AND SUBSIDIARIES

SCHEDULE VIII - ACCUMULATED DEPRECIATION AND AMORTIZATION OF INTANGIBLE ASSETS

FOR THE YEARS ENDED DECEMBER 31, 1976 and 1975 (In thousands)

Description	Balance at Beginning of Period	Additions		Deductions	Balance at End of Period
		Charged to Costs and Expenses	Charged to Other Accounts		
December 31, 1975					
Accumulated amortization of cost in excess of net tangible assets of businesses acquired	$255	$160			$415
December 31, 1976					
Accumulated amortization of cost in excess of net tangible assets of businesses acquired	$415	$148	$49 (1)		$612

(1) Charged to paid-in surplus

DYNALECTRON CORPORATION AND SUBSIDIARIES

SCHEDULE XII - RESERVES

FOR THE YEARS ENDED DECEMBER 31, 1976 AND 1975 (In thousands)

Description	Balance at beginning of period	Additions		Deductions	Balance at end of period
		Charged to costs and expenses	Charged to other accounts		
December 31, 1975					
Allowance for doubtful accounts	$596	$410 (B)	$28 (1)(3)	$(302)(2)	$732
Allowance for possible non-recovery of long-term receivables	152	40 (C)	31 (1)		223
	$748	$450	$59	$(302)	$955
December 31, 1976					
Allowance for doubtful accounts	$732	$298 (A)	$58 (1)(3)	$(240) (2)	$ 848
Allowance for possible non-recovery of long-term receivables	223		2(1)	(46)(2)	179
	$955	$298	$60	$(286)	$1,027

NOTES:

(1) Charged to unbilled costs, overhead and other.
(2) Write-off of uncollectible accounts.
(3) Includes reserve on date of acquisition of companies acquired and accounted for as purchases.
(4) The consolidated statements of earnings include the following provisions (credit) for doubtful accounts for the years ended December 31, 1976 and 1975:

	1976	1975
	$298 (A)	$410 (B)
	—	40 (C)
	298	450
Add: Write-offs charged to expense	28	53
Less: Recovery of amounts previously written-off	(71)	(5)
	$255	$498

DYNALECTRON CORPORATION AND SUBSIDIARIES

SCHEDULE XVI - SUPPLEMENTARY INCOME STATEMENT INFORMATION

FOR THE YEARS ENDED DECEMBER 31, 1976 AND 1975 (In thousands)

Item	Charged to costs and expenses	
	1976	1975
Taxes, other than income taxes -		
Payroll	$5,020	$4,369
Other	795	539
Repairs and maintenance	2,219	1,823

NOTE:

Other items of supplementary income statement information are omitted because they constitute less than one percent of total consolidated revenues as reported in the consolidated statements of earnings or they are separately disclosed elsewhere herein.

DYNALECTRON CORPORATION AND SUBSIDIARIES

DISCUSSION OF CHANGES IN SUPPLEMENTARY PROFIT AND LOSS ITEMS

FOR THE YEARS ENDED DECEMBER 31, 1976 AND 1975

Changes in supplementary profit and loss items are explained as follows:

a) Repairs and maintenance, depreciation and amortization of property and equipment, other taxes and rents.

The total of these items was $12.9, $10.8 and $8.5 million for 1976, 1975 and 1974 respectively. The increase in these items resulted from (i) the purchase of the Fuller companies in July, 1974 and the purchase of AFB Contractors, Inc. in January, 1975; (ii) the purchase of Kennedy Electric Company, Inc. in January, 1976 and the purchase of PAC ORD in June, 1976; (iii) the increase in wages subject to the FICA tax for all years; and (iv) the Registrant's continued investment in property and equipment

b) Research and development.

The Registrant expensed research and development costs of $305,000, $17,000 and $187,000 in 1976, 1975 and 1974 respectively. The significant decrease in 1975 resulted from the awarding of the H-Coal contract by ERDA for which work started in the fall of 1974. Prior to the awarding of the current contract, expenses associated with the project were classified as research and development costs and revenue to support same was raised by selling access and certain other rights to the technological developments to major oil companies. As all activities relating to the project are now performed under contract, the expenses are charged to normal operating accounts. The increase in 1976 expense is due to additional work on the Dyn-Lucas Cyclonic Furnace and the pursuit into new fields by the Hydrocarbon group.

c) Amortization of cost in excess of net tangible assets of businesses acquired.

Charges to expense for the above were $148,000, $160,000 and $113,000 in 1976, 1975 and 1974 respectively. The increase in 1975 was due mainly to an accelerated write-off of goodwill associated with a certain non-profitable subsidiary. The Company, however, generally amortizes goodwill on a straight-line basis over a 40-year period.

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

EXHIBIT A

TO

FORM 10-K, ANNUAL REPORT FOR 1976

OF

DYNALECTRON CORPORATION

File No. 1-3879-2

DYNALECTRON CORPORATION AND SUBSIDIARIES

COMPUTATIONS OF EARNINGS PER SHARE

FOR THE YEARS ENDED DECEMBER 31, 1972 THROUGH 1976

EXHIBIT "A"

DYNALECTRON CORPORATION AND SUBSIDIARIES

COMPUTATIONS OF EARNINGS PER COMMON SHARE (a)

FOR THE FIVE YEARS ENDED DECEMBER 31, 1976

(Dollars in Thousands Except Per Share Amounts)

	1976	1975	1974	1973	1972
Earnings					
Primary:					
Net earnings per Consolidated Condensed Statements of Earnings	$ 2,491	$ 3,165	$ 2,223	$ 2,027	$ 744
Amortization of contingent goodwill	(2)	(49)	(17)	(24)	—
Preferred stock dividend - Regular	(2)	—	—	—	—
Redemption (contingent)	(136)	—	—	—	—
	$ 2,351	$ 3,116	$ 2,206	$ 2,003	$ 744
Fully Diluted:					
Net earnings for primary	$ 2,351	$ 3,116	$ 2,206	$ 2,003	$ 744
After tax interest on convertible debentures	48	32	—	—	—
Assumed earnings to meet conditions for issuance of common stock equivalents	108	—	—	—	—
	$ 2,507	$ 3,148	$ 2,206	$ 2,003	$ 744
Shares					
Primary:					
Weighted average common shares outstanding	6,500,654	6,493,613	6,564,144	6,454,172	6,053,016
Common stock issuable on exercise of stock options	30,122	1,909	12,506	638	4,439
Incentive shares, contingent on earnings	378	11,500	167,018	291,767	358,817
Commitment to repurchase shares	—	—	(170,580)	—	—
Dilutive conversion of preferred shares	—	289,190	—	—	—
	6,531,154	6,796,212	6,573,088	6,746,577	6,416,272
Primary earnings per common share	$ 0.36	$ 0.46	$ 0.34	$ 0.30	$ 0.12
Fully Diluted:					
Shares outstanding for primary	6,531,154	6,796,212	6,573,088	6,746,577	6,416,272
Additional common shares issuable on exercise of stock options	22,240	586	—	2,225	1,455
Dilutive exercise of convertible debentures and preferred stock	439,860	98,375	—	—	—
	6,993,254	6,895,173	6,573,088	6,748,802	6,417,727
Earnings per common share assuming full dilution	$ 0.36	$ 0.46	$ 0.34	$ 0.30	$ 0.12

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

EXHIBIT C

TO

FORM 10-K, ANNUAL REPORT FOR 1976

OF

DYNALECTRON CORPORATION

File No. 1-3879-2

DYNALECTRON CORPORATION

BY-LAWS,

AS AMENDED TO DATE

DYNALECTRON CORPORATION

By-laws

Offices

1. The principal office shall be in the City of Wilmington, County of New Castle, State of Delaware, and the name of the resident agent in charge thereof is the Corporation Trust Company.

2. The Corporation may also have an office in the McLean area of Fairfax County, State of Virginia, and also offices at such other places as the Board of Directors may from time to time determine or the business of the Corporation may require.

STOCKHOLDERS' MEETINGS

3. All meetings of the Stockholders for the election of Directors shall be held at the office of the Corporation in the McLean area of Fairfax County, Virginia, or at such other place in the Northern Virginia/Washington, D. C. areas as shall be stated in the notice of the meeting. Meetings of Stockholders for any other purpose may be held at such place and time as shall be stated in the notice of the meeting.

4. An Annual Meeting of Stockholders shall be held on the third Wednesday of May in each year if not on a legal holiday, then on the next secular day following, at 1:30 p.m., at which they shall elect by a plurality vote, by ballot, a Board of Directors, and transact such other business as may properly be brought before the meeting.

5. Written notice of the Annual Meeting shall be served upon or mailed to each stockholder entitled to vote thereat at such address as appears on the books of the Corporation, at least ten days prior to the meeting.

6. At least ten days before every election of Directors, a complete list of the stockholders entitled to vote at said election, arranged in alphabetical order, with the residence of each and the number of voting shares held by each, shall be prepared by the Secretary. Such list shall be open at the place where the election is to be held for said ten days, to the examination of any stockholder, and shall be produced and kept at the time and place of election during the whole time thereof, and subject to the inspection of any stockholder who may be present.

7. Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by statute or by the Certificate of Incorporation, may be called by the President and shall be called by the President or Secretary at the request in writing of a majority of the Board of Directors, or at the request in writing of stockholders owning a majority in amount of the entire capital stock of the Corporation issued and outstanding and entitled to vote. Such request shall state the purpose or purposes of the proposed meeting.

8. Written notice of a special meeting of stockholders, stating the time and place and object thereof, shall be served upon or mailed to each stockholder entitled to vote thereat at such address as appears on the books of the Corporation, at least ten days before such meeting.

9. Business transacted at all special meetings shall be confined to the objects stated in the call.

10. The holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall be requisite and shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute, or by the Certificate of Incorporation or by these By-Laws. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn

the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented any business may be transacted which might have been transacted at the meeting as originally notified.

11. When a quorum is present at any meeting, the vote of the holders of a majority of the stock having voting power present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one upon which by express provision of the statutes or of the Certificate of Incorporation or of these By-Laws, a different vote is required in which case such express provision shall govern and control the decision of such question.

12. At any meeting of the stockholders every stockholder having the right to vote shall be entitled to vote in person, or by proxy appointed by an instrument in writing subscribed by such stockholder and bearing a date not more than three years prior to said meeting, unless said instrument provides for a longer period. Each stockholder shall have one vote for each share of stock having voting power, registered in his name on the books of the Corporation, and except where the transfer books of the Corporation shall have been closed or a date shall have been fixed as a record date for the determination of its stockholders entitled to vote, no share of stock shall be voted on at any election of Directors which shall have been transferred on the books of the Corporation within twenty days next preceding such election of Directors.

13. Whenever the vote of stockholders at a meeting thereof is required or permitted to be taken in connection with any Corporate action by any provisions of the statutes or the Certificate of Incorporation of these By-Laws, the meeting and vote of stockholders may be dispensed with, if all the stockholders who would have been

entitled to vote upon the action if such meeting were held, shall consent in writing to such corporate action being taken.

DIRECTORS

14. The number of Directors which shall constitute the whole Board shall be nine (9). The Directors shall be elected at the Annual Meeting of the Stockholders, and each Director shall be elected to serve until his successor shall be elected and qualify.

15. The Directors may hold their meetings and keep the books of the Corporation, except the original or duplicate stock ledger, outside of Delaware, at the office of the Corporation in the City of San Francisco, California, or at such other places as they may from time to time determine.

16. If the office of any Director or Directors becomes vacant by reason of death, resignation, retirement, disqualification, removal from office, or otherwise, a majority of the remaining Directors though less than a quorum, shall choose a successor or successors, who shall hold office for the unexpired term in respect to which such vacancy occurred or until the next election of Directors.

17. The property and business of the Corporation shall be managed by its Board of Directors which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Certificate of Incorporation or by these By-Laws directed or required to be exercised or done by the stockholders.

COMMITTEES OF DIRECTORS

18a. The Board of Directors at its first meeting after each annual meeting of the stockholders shall designate one or more of its members who together with the Chairman of the Board and the President shall constitute the Executive Committee of the Board of Directors. The Executive Committee shall have and may exercise all of the powers of the Board of Directors as may be lawfully delegated in the management of the business and affairs of the corporation and shall have the power to authorize the seal of the corporation to be affixed to all papers which may require it.

18b. The Board of Directors may, by resolution or resolutions passed by a majority of the whole Board, designate one or more additional committees consisting of two or more of the Directors of the Corporation. Such additional committee or committees shall have and may exercise such powers and shall have such names as are provided in said resolution or resolutions.

19. The committees shall keep regular minutes of their proceedings and report the same to the Board when required.

ADVISORY DIRECTORS

20. The Board of Directors may appoint Advisory Directors whose experience and knowledge would be useful to the Board, said Advisory Directors to be former members of the Board or current shareholders. Such Advisory Directors shall be no more than four (4) in number and shall serve at the pleasure of the Board with terms expiring as of each Annual Meeting of Shareholders. Advisory Directors shall be given notice of and may attend meetings

of the Board of Directors, but shall not be considered a member of the Board of Directors. Advisory Directors shall have no right to vote, and shall not be counted in determining whether a quorum is present at any meeting. Advisory Directors shall not be charged with responsibilities, nor shall they be subject to the liabilities of Directors. An Advisory Director may be appointed as an Advisory Member of any Committee of the Board.

COMPENSATION OF DIRECTORS AND ADVISORY DIRECTORS

21(a) Directors, as such, shall not receive any stated salary for their services, but, by resolution of the Board, may be allowed an annual fee and/or a fixed sum for attendance at each regular or special meeting of the Board, together with any expenses of attendance; provided that nothing herein contained shall be construed to preclude any Director from serving the Corporation in any other capacity and receiving compensation therefor.

21(b) Members of special or standing committees may be allowed like compensation for attending committee meetings.

21(c) Advisory Directors by resolution of the Board may also be allowed an annual fee and/or a fixed sum for services as Advisory Members and/or for attendance at each regular or special meeting of the Board, together with any expenses of attendance.

MEETING OF THE BOARD

22. The first meeting of each newly elected Board shall be held at such time and place either within or without the State of Delaware as shall be fixed by the vote of the stockholders at the annual meeting and no notice of such meeting shall be necessary to the newly elected Directors in order legally to constitute the meeting provided a quorum shall be present, or they may meet at such place and time as shall be fixed by the consent in writing of all the Directors.

23. Regular meetings of the Board may be held without notice at such time and place either within or without the State of Delaware as shall from time to time be determined by the Board.

24. Special meeting of the Board may be called by the Chairman of the Board or by the President on one day's notice to each Director, either personally or by mail or by telegram; special meetings shall be called by the Chairman of the Board or President or Secretary in like manner and on like notice on the written request of two Directors.

25. At all meetings of the Board the presence of four (4) Directors shall be necessary and sufficient to constitute a quorum for the transaction of business and the act of a majority of the Directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, except as provided by statute or by the certificate of incorporation or by these By-laws. If a quorum shall not be present at any meeting of Directors, the Directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a

quorum shall be present.

REIMBURSEMENT AND INDEMNIFICATION OF OFFICERS, DIRECTORS AND ADVISORY DIRECTORS

25. (a) The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, arbitrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he is or was a director, Advisory Director, officer, employee or agent of the Corporation, or is or was serving at the request of the corporation as a director, Advisory Director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

(b) The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure judgment in its favor by reason

of the fact that he is or was a director, Advisory Director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, Advisory Director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the Corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

(c) To the extent that a director, Advisory Director, officer, employee or agent of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in subsections (a) or (b), or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

(d) Any indemnification under subsections (a) or (b) (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director, Advisory Director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in subsections (a) and (b). Such determination shall be made (1) by the Board of Directors by a majority vote of a quorum consisting of directors who were

not parties to such actions, suit or proceeding, or (2) if such a quorum is not obtainable, or, even if obtainable, a quorum of disinterested directors so directs, by independent legal counsel in a written opinion.

(e) Expenses incurred in defending a civil or criminal action, suit or proceeding may be advanced by the Corporation in advance of the final disposition of such action, suit or proceeding, upon receipt of an undertaking by or on behalf of the director, Advisory Director, officer, employee or agent to repay such amount unless it shall ultimately be determined that he is entitled to be indemnified by the Corporation as authorized in this section.

(f) The rights of indemnity provided in this bylaw shall not be deemed exclusive and the Corporation may, by contract, vote of stockholders, or disinterested directors, or otherwise, further indemnify directors, Advisory Directors, officers, employees or agents of the Corporation to the full extent permitted under the laws of the State of Delaware or any other applicable laws, now or hereafter in effect, both as to matters in such person's official capacity and as to action in another capacity while holding such office, and the provisions of this bylaw shall inure to the benefit of a person who has ceased to be a director, Advisory Director, officer, employee or agent and to the benefit of the heirs, executors, and administrators of such a person.

(g) The foregoing rights shall be available in respect of any claim, action, suit or proceeding whether or not based upon matters which antedate the adoption of this bylaw.

NOTICES

26. Whenever under the provisions of the statutes or of the certificate of incorporation or of these Bylaws, notice is required to be given in writing, by mail,

by depositing the same in a post office or letter box, in a post-paid sealed wrapper, addressed to such director or stockholder at such address as appears on the books of the Corporation, or in default of other address, to such director or stockholder at the General Post Office in the City of Wilmington, Delaware, and such notice shall be deemed to be given at the time when the same shall be thus mailed.

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

OFFICERS

28. The officers of the Corporation shall be chosen by the directors and shall be a Chairman of the Board, a President, an Executive Vice President, a Vice President, a Secretary and a Treasurer. The Board of Directors may also choose one or more Senior Vice Presidents, additional Vice Presidents, and one or more Assistant Secretaries and Assistant Treasurers. Two or more offices may be held by the same person, except that where the offices of President and Secretary are held by the same person, such person shall not hold any other office.

29. The Board of Directors at its first meeting after each annual meeting of the Stockholders shall choose a Chairman of the Board of Directors and a President from its members, and one or more Vice Presidents, a Secretary and a Treasurer, none of whom need be a member of the Board.

30. The Board may appoint such other officers and agents as it shall deem necessary, who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board.

31. The salaries of all officers and agents of the Corporation shall be fixed by the Board of Directors.

32. The officers of the Corporation shall hold office until their successors are chosen and qualify in their stead. Any officer elected or appointed by the Board of Directors may be removed at any time by the affirmative vote of a majority of the whole Board of Directors. If the office of any officer becomes vacant for any reason, the vacancy shall be filled by the Board of Directors.

THE CHAIRMAN OF THE BOARD

33. The Chairman of the Board shall preside at all meetings of the stockholders, Directors and Executive Committee and shall be ex-officio a member of all other standing committees. He shall see that all votes and resolutions of the Board are carried into effect. He shall also perform such other duties as may from time to time be assigned to him by the Board of Directors or the Executive Committee.

THE PRESIDENT

34. The President shall be the chief executive officer of the Corporation. He shall report to the Executive Committee and the Board of Directors and shall have active and general charge and control of all affairs of the Corporation. To him shall report the Executive Vice President and such other corporate officers as he shall designate. The President shall preside at all meetings of the stockholders, Directors and the Executive Committee in the absence of the Chairman of the Board. He shall execute bonds, mortgages and other contracts requiring a seal, under the seal of the Corporation, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the Board of Directors to some other officer or agent of the Corporation.

VICE PRESIDENTS

35(a) The Executive Vice President shall be the chief operating officer of the Corporation and, subject to the direction of the President, shall manage the operations of the Corporation. In the absence or disability of the President, he shall perform all the duties and exercise the powers of the President. He shall also perform such other duties as the President, the Executive Committee or the Board of Directors shall prescribe.

(b) The Senior Vice Presidents, in the order of their seniority in the office of Vice President, shall, in the absence or disability of the President and the Executive Vice President, perform the duties and exercise the powers of the President and the Executive Vice President and shall perform such other duties as the President, Executive Vice President, the Executive Committee or the Board of Directors may prescribe.

(c) The Vice Presidents shall perform such duties as the President, the Executive Vice President, the Executive Committee, the Board of Directors or any Senior Vice President to whom they may report shall prescribe.

THE SECRETARY AND ASSISTANT SECRETARIES

36. The Secretary shall attend all sessions of the Board and all meetings of the stockholders and record all votes and the minutes of proceedings in a book to be kept for that purpose and shall perform like duties for the standing committees when required. He shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors, and in his capacity as Secretary shall perform such other duties as may be prescribed by the Board of Directors, the Executive Committee or the President. He shall keep in a safe custody

the seal of the Corporation and, when authorized by the Board, affix the same to any instrument requiring it and, when so affixed, it shall be attested by his signature or by the signature of the Treasurer or an Assistant Secretary or an Assistant Treasurer.

37. That Assistant Secretaries in the order designated from time to time by the Secretary shall, in the absence or disability of the Secretary, perform the duties and exercise the powers of the Secretary and shall perform such other duties as the Board of Directors shall prescribe.

THE TREASURER AND ASSISTANT TREASURERS

38. The Treasurer shall have the custody of the Corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all monies and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Executive Com mittee or the Board of Directors.

39. He shall disburse the funds of the Corporation as may be ordered by the Executive Committee or the Board, taking proper vouchers for such disbursements, and shall render to the President and Directors, at the regular meetings of the Board, or whenever they may require it, an account of all his transactions as Treasurer and of the financial co ndition of the Corporation.

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

41. The Assistant Treasurers in the order of their seniority shall, in the absence or disability of the Treasurer, perform the duties and exercise the powers of the Treasurer and shall perform such other duties as the Executive Committee or the Board of Directors shall prescribe.

CERTIFICATE OF STOCK

42. The Certificates of Stock of the Corporation shall be numbered and shall be entered in the books of the Corporation as they are issued. They shall exhibit the holder's name and number of shares and shall be signed by the President or a Vice President and the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer, transfer agent, or registrar at the date of issuance. Any of or all the signatures on the certificate may be a facsimile.

TRANSFER OF STOCK

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

CLOSING OF TRANSFER BOOKS

44. The Board of Directors shall have the power to close the stock transfer books of the Corporation for a period not exceeding fifty days preceding the date of any meeting of stockholders or the date for payment of any dividend or the date for the allotment rights or the date when any change or conversion or exchange of capital stock shall go into effect or for a period not exceeding fifty days in connection with obtaining the consent of stockholders for any purpose; provided, however, that in lieu of closing the stock transfer books as aforesaid, the Board of Directors may fix in advance a date, not exceeding fifty days preceding the date of any meeting of stockholders, or the date for the payment of any dividend, or the date for the allotment of rights, or the date when any change or conversion or exchange of capital stock shall go into effect or a date in connection with obtaining such consent, as a record date for the determination of the stockholders entitled to notice of, and to vote at, any such meeting, and any adjournment thereof, or or entitled to receive payment of any such dividend, or to any such allotment of rights, or to exercise the rights in respect of any such change, conversion or exchange of capital stock or to give such consent, and in such case such stockholders and only such stockholders as shall be stockholders of record on the date so fixed shall be entitled to such notice of, and to vote at, such meeting and any adjournment thereof, or to receive payment of such dividend, or to receive such allotment of rights, or to exercise such rights or to give such consent, as the case may be, notwithstanding any transfer of any stock on the books of the Corporation after any such record date fixed as aforesaid.

REGISTERED STOCKHOLDERS

45. The Corporation shall be entitled to treat the holder of record of any share or shares of stock as the holder in fact thereof and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

LOST CERTIFICATE

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

DIVIDENDS

47. Dividends upon the capital stock of the Corporation, subject to the provisions of the Certificate of Incorporation, if any, may be declared by the Board of Directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the

provisions of the Certificate of incorporation.

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

DIRECTORS ANNUAL STATEMENT

49. The Board of Directors shall present at each annual meeting and when called for by vote of the stockholders at any special meeting of the stockholders, a full and clear statement of the business and condition of the Corporation.

CHECKS

50. All checks or demands for money and notes of the Corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

FISCAL YEAR

51. The fiscal year shall begin the first day of January in each year.

SEAL

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

AMENDMENTS

53. These By-Laws may be altered or repealed at any regular meeting of the stockholders or at any special meeting of the stockholders at which a quorum is present or represented, provided notice of the proposed alteration or repeal be contained in the notice of such special meeting, by the affirmative vote of a majority of the stock entitled to vote at such meeting and present or represented thereat, or by the affirmative vote of a majority of the Board of Directors at any regular meeting of the Board or at any special meeting of the Board if notice of the proposed alteration or repeal be contained in the notice of such special meeting; provided, however, that in case of any change of such time or place, notice thereof shall be given to each stockholder in person or by letter mailed to his last known post office address at least twenty days before the meeting is held.

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

EXHIBIT H

TO

FORM 10-K, ANNUAL REPORT FOR 1976

OF

DYNALECTRON CORPORATION

File No. 1-3879-2

DYNALECTRON CORPORATION SPECIMEN OF

8-1/2% CONVERTIBLE SUBORDINATED DEBENTURES,

SERIES A AND SERIES B

DYNALECTRON CORPORATION

8-1/2% Convertible Subordinated Debenture, Series A

No. _____ McLean, Virginia

1976

FOR VALUE RECEIVED, the undersigned, Dynalectron Corporation (the "Company"), a Delaware corporation, hereby promises to pay to

or order, the principal amount of $. on , 1981, and to pay interest on such principal amount from time to time remaining unpaid hereon from the date hereof, at the rate of 8-1/2 percent per annum (computed on the basis of a three hundred sixty-five day year). Interest shall be payable quarterly to the holder hereof on January 2, March 31, June 30, and September 30 of each year. Payments of principal and interest shall be made in lawful money of the United States of America.

This Debenture is one in a series of two such 8-1/2 percent Convertible Subordinated Debentures of the Company ("Series A Debenture") originally issued in the aggregate principal amount of $264,000 00 pursuant to that certain Memorandum of Agreement for the Purchase and Sale of All of the Outstanding Stock of Kennedy Electric Co., Inc., of even date herewith between the Company and the former shareholders of Kennedy Electric Co., Inc., all of like dates, tenor and maturity, except the variations, if any, necessary to express the name of the payee, the number and the principal amount of each such Series A Debenture. The holder hereof is entitled to all the benefits, rights and obligations represented by this Series A Debenture, subject however to the terms and special conditions set forth on the reverse hereof (the "Conditions").

Subject to and upon the terms specified in the Conditions, this Series A Debenture is convertible upon surrender at any time after July 1, 1976 and prior to maturity into Common Stock of the Company (or Other Securities, as provided by the adjustment provisions of the Conditions), as such shares shall be constituted at the time of conversion, with notice of the conversion on the reverse hereof duly executed, at the principal office of the Company, or at the office of the conversion agent (if the Company has designated such an agent pursuant to the Conditions), at a rate of one share of fully paid and nonassessable common stock of the Company for each $8 00 of face value of this Series A Debenture, plus accrued and unpaid interest to date of notice of conversion.

The Company shall have the right at any time after the date hereof to prepay the principal and any accrued and unpaid interest under this Series A Debenture without penalty. The holder hereof shall be further entitled to require the Company to redeem at a date specified by the holder hereof the principal amount of this Series A Debenture, plus accrued and unpaid interest at the date of redemption, such principal and interest payable in cash at any time during the following periods, subject to sixty (60) days prior written notice of the date for such redemption:

April 1, 1976 to and including September 30, 1976
April 1, 1977 to and including September 30, 1977

This Series A Debenture is, to the extent provided on the reverse hereof, subordinate and subject in right of payment to the rights of the holders of Superior Indebtedness of the Company (as defined on the reverse hereof), and each holder of this Series A Debenture by acceptance hereof, agrees to and shall be bound by all the provisions on the reverse hereof relating to such subordination.

In case an Event of Default as defined in the Conditions shall occur and be continuing, for a period of five (5) days after delivery of written notice thereof to the Company, the principal amount hereof or any remaining unpaid balance of such principal of this Series A Debenture, together with all accrued and unpaid interest, shall become due and payable in the manner and with the effect provided in said Conditions.

No reference herein to the Conditions shall alter or impair the obligation of the Company which is absolute and unconditional, to pay the principal of and interest on this Series A Debenture at the place, at the respective times, at the rate, and in the currency herein prescribed.

THIS SERIES A DEBENTURE AND THE COMMON STOCK (OR OTHER SECURITIES) ISSUABLE UPON CONVERSION HEREOF ARE TRANSFERABLE ONLY UPON THE TERMS SPECIFIED IN THE CONDITIONS SET FORTH ON THE REVERSE SIDE HEREOF AND THE HOLDER OF THIS SERIES A DEBENTURE BY THE ACCEPTANCE HEREOF AGREES TO BE BOUND BY THE PROVISIONS OF SUCH CONDITIONS PERTAINING TO ANY SUCH TRANSFER.

IN WITNESS WHEREOF Dynalectron Corporation has caused this Series A Debenture to be signed in its name by the signature of its President or one of its Vice Presidents, and has caused its corporate seal to be hereunto affixed and attested by the signature of its Secretary or Assistant Secretary. Such Debenture is made and delivered in the State of Virginia; however, the obligations of the Company hereunder shall be governed by the laws of the State of Colorado.

DYNALECTRON CORPORATION

By: _____
Executive Vice President

ATTEST:

_____
Secretary

DYNALECTRON CORPORATION

8-1/2% Convertible Subordinated Debenture, Series B

*No.*_____ *McLean, Virginia*
1976

FOR VALUE RECEIVED, the undersigned, Dynalectron Corporation (the "Company"), a Delaware corporation, hereby promises to pay to

the principal amount of $, on 1931, and to pay interest on such principal amount from time to time remaining unpaid hereon from the date hereof, at the rate of 8-1/2 percent per annum (computed on the basis of a three hundred sixty-five day year). Interest shall be payable quarterly to the holder hereof on January 2, March 31, June 30, and September 30 of each year. Payments of principal and interest shall be made in lawful money of the United States of America.

This Debenture is one in a series of four such 8-1/2 percent Convertible Subordinated Debentures of the Company ("Series B Debenture") originally issued in the aggregate principal amount of $1,056,000 pursuant to that certain Memorandum of Agreement for the Purchase and Sale of All of the Outstanding Stock of Kennedy Electric Co , Inc., of even date herewith between the Company and the former shareholders of Kennedy Electric Co., Inc., all of like dates, tenor and maturity, except the variations, if any, necessary to express the name of the payee, the number and the principal amount of each such Series B Debenture. The holder hereof is entitled to all the benefits, rights and obligations represented by this Series B Debenture, subject however to the terms and special conditions set forth on the reverse hereof (the "Conditions").

Subject to and upon the terms specified in the Conditions, this Series B Debenture is convertible upon surrender at any time after July 1, 1976 and prior to maturity into Common Stock of the Company (or Other Securities, as provided by the adjustment provisions of the Conditions), as such shares shall be constituted at the time of conversion, with notice of the conversion on the reverse hereof duly executed, at the principal office of the Company, or at the office of the conversion agent (if the Company has designated such an agent pursuant to the Conditions), at a rate of one share of fully paid and nonassessable common stock of the Company for each $8.00 of face value of this Series B Debenture, plus accrued and unpaid interest to date of notice of conversion.

The Company shall have the right at any time after the date hereof to prepay the principal and any and but unpaid interest under this Series B Debenture without penalty.

This Series B Debenture is, to the extent provided on the reverse hereof, subordinate and subject in right of payment to the rights of the holders of Superior Indebtedness of the Company (as defined on the reverse hereof), and each holder of this Series B Debenture by acceptance hereof, agrees to and shall be bound by all the provisions on the reverse hereof relating to such subordination.

In case an Event of Default as defined in the Conditions shall occur and be continuing for a period of five (5) days after delivery of written notice thereof to the Company, the principal amount hereof or any remaining unpaid balance of such principal of this Series B Debenture, together with all accrued and unpaid interest, shall become due and payable in the manner and with the effect provided in said Conditions.

No reference herein to the Conditions shall alter or impair the obligation of the Company which is absolute and unconditional, to pay the principal of and interest on this Series B Debenture at the place, at the respective times, at the rate, and in the currency herein prescribed.

THIS SERIES B DEBENTURE AND THE COMMON STOCK (OR OTHER SECURITIES) ISSUABLE UPON CONVERSION HEREOF ARE TRANSFERABLE ONLY UPON THE TERMS SPECIFIED IN THE CONDITIONS SET FORTH ON THE REVERSE SIDE HEREOF AND THE HOLDER OF THIS SERIES B DEBENTURE BY THE ACCEPTANCE HEREOF AGREES TO BE BOUND BY THE PROVISIONS OF SUCH CONDITIONS PERTAINING TO ANY SUCH TRANSFER.

IN WITNESS WHEREOF Dynalectron Corporation has caused this Series B Debenture to be signed in its name by the signature of its President or one of its Vice Presidents, and has caused its corporate seal to be hereunto affixed and attested by the signature of its Secretary or Assistant Secretary. Such Debenture is made and delivered in the State of Virginia; however, the obligations of the Company hereunder shall be governed by the laws of the State of Colorado.

DYNALECTRON CORPORATION

By:_____
Executive Vice President

ATTEST:

_____
Secretary

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

EXHIBIT I

TO

FORM 10-K, ANNUAL REPORT FOR 1976

OF

DYNALECTRON CORPORATION

File No. 1-3879-2

DYNALECTRON CORPORATION SPECIMEN OF

6% CONVERTIBLE SUBORDINATED DEBENTURES

DYNALECTRON CORPORATION

6% Convertible Subordinated Debenture, Series C

McLean, Virginia

1976

FOR VALUE RECEIVED, the undersigned, Dynalectron Corporation (the "Company"), a Delaware corporation, hereby promises to pay to

or order, the principal amount of $, on July 1, 1982, and to pay interest on such principal amount from time to time remaining unpaid hereon from the date hereof, at the rate of 6 percent per annum (computed on the basis of a three hundred sixty-five day year). Such interest shall be payable quarterly to the holder hereof on the first day of January, April, July and October of each calendar year commencing October 1, 1977. Payments of principal and interest shall be made in lawful money of the United States of America.

This Debenture is one in a series of two such Series C 6 percent Convertible Subordinated Debentures of the Company ("Debenture") originally issued in the aggregate principal amount of $591,667 pursuant to that certain Agreement for the Purchase and Sale of All of the Outstanding Stock of Pacord, Inc., of even date herewith, between the Company its wholly-owned subsidiary Seadyn, Inc., and the former shareholder of Pacord, Inc., both of like dates, tenor and maturity, except the variations, if any, necessary to express the number and the principal amount of each such Debenture. The holder hereof is entitled to all the benefits and rights represented by this Debenture, subject however to the terms and special conditions set forth on the reverse hereof (the "Conditions").

Subject to and upon the terms specified in the Conditions, this Debenture is convertible upon surrender to the Company at any time after January 1, 1977, and prior to maturity, into shares of the Common Stock of the Company (or Other Securities, as provided by the adjustment provisions of the Conditions), as such shares shall be constituted at the time of conversion, with notice of the conversion on the reverse hereof duly executed, at the principal office of the Company, or at the office of the conversion agent (if the Company has designated such an agent pursuant to the Conditions), at a rate of one share of fully paid and nonassessable Common Stock of the Company for each $8.00 of face value of this Debenture, plus accrued and unpaid interest to date of notice of conversion.

The Company shall also have the right at any time after January 1, 1977 to demand the conversion of this Debenture into said Common Stock (or other securities) at a rate of one share of said Common Stock for each $8.00 of face value of the Debenture; provided that such right shall only be exercisable by the Company in the event the average between the high and low market prices of the Company's Common Stock as reported on the American Stock Exchange, Inc. (or such other exchange on which it may be traded) equals or exceeds $10.00 per share for a period of 10 consecutive trading days.

The Company shall further have the right at any time after January 1, 1977 to prepay the principal and any accrued and unpaid interest under this Debenture without penalty.

This Debenture is, to the extent provided on the reverse hereof, subordinate and subject in right of payment to the rights of the holders of Superior Indebtedness of the Company (as defined on the reverse hereof), and each holder of this Debenture by acceptance hereof, agrees to and shall be bound by all the provisions on the reverse hereof relating to such subordination.

In case an Event of Default as defined in the Conditions shall occur and be continuing for a period of five (5) days after delivery of written notice thereof to the Company, the principal amount hereof or any remaining unpaid balance of such principal amount of this Debenture, together with all accrued and unpaid interest, shall become due and payable in the manner and with the effect provided in said Conditions.

No reference herein to the Conditions shall alter or impair the obligation of the Company which is absolute and unconditional, to pay the principal amount of and interest on this Debenture at the place, at the respective times, at the rate, and in the currency herein prescribed.

THIS DEBENTURE AND THE COMMON STOCK (OR OTHER SECURITIES) ISSUABLE UPON CONVERSION HEREOF ARE TRANSFERABLE ONLY UPON THE TERMS SPECIFIED IN THE CONDITIONS SET FORTH ON THE REVERSE SIDE HEREOF AND THE HOLDER OF THIS DEBENTURE BY THE ACCEPTANCE HEREOF AGREES TO BE BOUND BY THE PROVISIONS OF SUCH CONDITIONS PERTAINING TO ANY SUCH TRANSFER.

IN WITNESS WHEREOF Dynalectron Corporation has caused this Debenture to be signed in its name by the signature of its President or one of its Vice Presidents, and has caused its corporate seal to be hereunder affixed and attested by the signature of its Secretary or Assistant Secretary.

DYNALECTRON CORPORATION

By: _____
Executive Vice President

ATTEST:

_____
Secretary

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

EXHIBIT J

TO

FORM 10-K, ANNUAL REPORT FOR 1976

OF

DYNALECTRON CORPORATION

File No. 1-3879-2

DYNALECTRON CORPORATION SPECIMEN OF

8-1/4% SENIOR LOAN AGREEMENT

AND

REVOLVER-TERM LOAN AGREEMENT

[CONFORMED COPY]

DYNALECTRON CORPORATION

Loan Agreement

Dated as of December 26, 1973

(Conformed to reflect modifications
made by First Supplemental Agreement dated as of March 1, 1976
and Second Supplemental Agreement dated as of September 1, 1976)

8¼% Senior Promissory Notes due 1977-1988

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EXHIBIT A. Senior Promissory Note

EXHIBIT B. Subsidiaries of Dynalectron Corporation

EXHIBIT C. Summary Description of Changes in Business, Operations and Properties of Dynalectron Corporation and its Subsidiaries Since December 31, 1972; Contractual Renegotiation and Price Redetermination

EXHIBIT D. Funded Debt, Short-Term Borrowings and Guaranties

THIS AGREEMENT dated as of December 26, 1973, between DYNALECTRON CORPORATION, a Delaware corporation (herein called the "*Company*"), THE EQUITABLE LIFE ASSURANCE SOCIETY OF THE UNITED STATES, a New York corporation (herein called the "*Lender*"), and all persons who shall from time to time be holders of any of the Notes hereinbelow provided for,

WITNESSETH:

§1. The Notes. The Company proposes to issue its promissory notes in an aggregate principal amount not exceeding $8,000,000 to the Lender on the dates and in the amounts specified in §3 hereof. Each such note (i) shall be dated the Closing Date on which it is delivered to the Lender, (ii) shall be due in installments as provided therein, (iii) shall bear interest on the unpaid principal thereof from its date through and including September 14, 1976 at the rate of 8 1/4% per annum and thereafter at the rate of 8 1/2% per annum, payable semi-annually on May 15 and November 15, in each year, until such principal shall become due and payable, and (iv) shall be in the form annexed hereto as Exhibit A. As used herein, the terms "Note" and "Notes" shall mean said promissory notes or one or more of the promissory notes subsequently delivered in exchange therefor or in lieu thereof pursuant to §12 or §13 hereof. Each Note shall be signed on behalf of the Company by its President or one of its Vice Presidents and by its Treasurer or one of its Assistant Treasurers.

§2. **Representations and Warranties.** The Company represents and warrants as follows:

A. The Company is a corporation duly incorporated and validly existing, in good standing, under the laws of the State of Delaware and is duly qualified and is in good standing as a foreign corporation, and is authorized to do business, in all other States and jurisdictions wherein the character of the properties owned or held by the Company or the nature of the business transacted by the Company makes such qualification necessary, namely, California, District of Columbia, Hawaii, Maryland, New Mexico, Texas, Utah and Virginia. The Company has all requisite corporate power and authority to own and operate its properties and assets, to carry on its business as now conducted and proposed to

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be conducted, to enter into this Agreement, to borrow money and issue the Notes as contemplated hereby and to carry out the terms hereof and the terms of the Notes.

B. Annexed hereto as *Exhibit B* is a correct and complete list of the Company's Subsidiaries showing, as to each such Subsidiary, the correct name thereof, the State or jurisdiction of its incorporation, the number of shares of stock of each class outstanding, the number thereof owned by the Company, the number thereof owned by any other Subsidiary and whether it is a Restricted Subsidiary or an Unrestricted Subsidiary. No Subsidiary owns any shares of stock of the Company, and no Unrestricted Subsidiary owns any shares of stock of any Restricted Subsidiary. Each Restricted Subsidiary, and each Unrestricted Subsidiary having a net worth in excess of $25,000, is a corporation duly incorporated and validly existing, in good standing, under the laws of the particular State or jurisdiction wherein it was incorporated and is duly qualified and is in good standing as a foreign corporation, and is authorized to do business, in all other States and jurisdictions wherein the character of the properties owned or held by it or the nature of the business transacted by it makes such qualification necessary. Each Restricted Subsidiary, and each Unrestricted Subsidiary having a net worth in excess of $25,000, has all requisite corporate power and authority to own and operate its properties and assets and to carry on its business as now conducted and proposed to be conducted. The shares of stock listed in said Exhibit B as owned by the Company or a Subsidiary have been validly issued and are fully paid and non-assessable, and are so owned free and clear of any mortgage, lien, pledge, charge or other security interest or encumbrance. The foregoing is subject to the matters set forth in the letter dated November 21, 1973 referred to in § *2E* hereof.

C. The Company has heretofore delivered to the Lender a correct and complete copy of the Company's Annual Report (Form 10-K) for the fiscal year ended December 31, 1972, as filed with the Securities and Exchange Commission pursuant to Section 13 of the Securities Exchange Act of 1934 (herein called the *"Report"*), containing a correct and complete summary description of the busi-

ness, operations, affairs, properties and condition, financial and otherwise, of the Company and its Subsidiaries as of December 31, 1972. Annexed hereto as part of *Exhibit C* is a correct and complete summary description prepared by the Company of all material changes in the business, operations, affairs, properties and condition, financial and otherwise, of the Company and its Subsidiaries since December 31, 1972. Neither the Report or *Exhibit C* nor any other document, certificate or statement delivered to the Lender by or on behalf of the Company in connection with the transactions contemplated hereby contains as of their respective dates any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained therein not misleading. There is no fact known to the Company which materially adversely affects or in the future may (so far as the Company can now foresee) materially adversely affect the business, operations, affairs, properties or condition, financial or otherwise, of the Company or any Subsidiary, other than as set forth in Notes 4 and 13 to the consolidated balance sheets as of December 31, 1972 and as of September 27, 1973 referred to in *Subsection D* of this Section. The Company has delivered to the Lender copies of all Forms 8-K and 10-Q filed with the Securities and Exchange Commission since December 31, 1972.

D. The Company has heretofore delivered to the Lender copies of consolidated balance sheets of the Company and its Subsidiaries as of the last day of each of the fiscal years ended December 31, 1968 to 1972, inclusive, and the related statements of consolidated earnings, of consolidated changes in financial position and of consolidated stockholders' equity of the Company and its Subsidiaries for each of said fiscal years, all as certified by Arthur Andersen & Co. The Company has also delivered to the Lender copies of a balance sheet of the Company and a consolidated balance sheet of the Company and its Subsidiaries as of September 27, 1973 and the related statement of earnings of the Company and statements of consolidated earnings, of consolidated changes in financial position and of consolidated stockholders' equity of the Company and its Subsidiaries for the portion of the fiscal year ended on said date, subject to year-end audit adjustments. All

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the financial statements above mentioned (including in each case the related schedules and notes) are correct and complete and truly present the financial condition of the Company or of the Company and its Subsidiaries consolidated as of the respective dates indicated and the results of its operations or of their operations on a consolidated basis for the respective periods indicated (subject, in the case of such unaudited financial statements, to changes resulting from year-end audit adjustments), and have been prepared in accordance with sound accounting practice consistently maintained by the Company and its Subsidiaries throughout the periods involved, and the Company has no knowledge of any liabilities, contingent or otherwise, as at September 27, 1973, not reflected in said consolidated balance sheet as of said date. Since September 27, 1973, there has been no change in the assets or liabilities or financial condition of the Company and its Subsidiaries from that set forth in said consolidated balance sheet as of September 27, 1973, including, without limitation, changes resulting from the present or future operation of all Federal restrictions, limitations or other actions relating to prices and profits, other than changes in the ordinary course of business, none of which has been materially adverse.

E. The Company and its Subsidiaries have filed all Federal and State tax returns which are required to be filed and have paid all taxes shown to be due and payable on said returns and all other taxes and assessments which to the Company's knowledge are payable by them, to the extent the same have become due and payable and before the same have become delinquent, except as set forth in the letter dated November 21, 1973 from the Company to the Lender. The Federal income tax liabilities of the Company and its Subsidiaries have been determined by the Internal Revenue Service and paid for all fiscal years up to and including the fiscal year ended December 31, 1971, but have not been so determined for any subsequent year. Except as set forth in said letter, there is no unpaid assessment for Federal income tax liability of the Company or any Subsidiary for any period, and neither the Company nor any Subsidiary knows of any basis for any claim of such liability. Neither the Company nor any Subsidiary has executed any presently effective waiver extending the period of the appli-

cable statute of limitations in respect of any Federal income tax liability of the Company or any Subsidiary. The foregoing is subject to the possible liability of Airtech Service, Inc. (which was acquired by the Company on February 28, 1970) for Federal income taxes for the period August 1, 1969 through February 27, 1970, for which period the former owners of such corporation filed a Federal income tax return and paid taxes on net income of $201,329 on a Subchapter S basis and in respect of which period a waiver extending the period of the applicable statute of limitations has been given to the Internal Revenue Service; the former owners have agreed to hold the Company harmless from all tax liability of Airtech Service, Inc. for the period prior to February 28, 1970. The Company has delivered to the Lender a certificate of Arthur Andersen & Co., addressed to the Lender, stating that they have reviewed the provisions in the accounts of the Company and its Subsidiaries for Federal, State and other income taxes for the fiscal years ended December 31, 1971 and 1972, and that, in the opinion of said firm, the provisions for Federal, State and other income taxes reflected in the consolidated balance sheet of the Company and its Subsidiaries as of December 31, 1972, referred to in *Subsection D* of this Section, are adequate to cover the liability of the Company and its Subsidiaries for unpaid Federal, State and other income taxes. Neither the Company nor any of its Subsidiaries is subject to statutory or contractual renegotiation or price redetermination, except as set forth in *Exhibit C*.

F. Annexed hereto as *Exhibit D* is a correct and complete description of all Funded Debt (including Capitalized Leases) and all Short-Term Borrowings of, and guaranties of Indebtedness by, the Company and its Restricted Subsidiaries outstanding on the date hereof showing, as to each item thereof, the obligor or obligors thereof, the obligee or obligees thereof, maturity date, scheduled repayments, the interest rate applicable thereto, the amount thereof outstanding on the date hereof, all security, if any, given therefor and all instruments and agreements relating thereto. The Company has heretofore delivered to the Lender true and complete copies of all such instruments and agreements and all financing statements and similar instruments under the Uniform Commercial Code filed or to be filed with respect thereto.

G. The Company and its Restricted Subsidiaries have good and marketable title to, or good and marketable leasehold interests in, all of their properties, free and clear of all mortgages, liens, pledges, charges, security interests (including Capitalized Leases, conditional sale agreements and leases in the nature thereof and other title retention agreements) or other encumbrances, or subordination to any right or claim of any other person, except as permitted by § *9.6* hereof which do not, individually or in the aggregate, materially adversely affect the use of such properties by the Company and its Restricted Subsidiaries for the purposes for which they are owned or held. No financing statement or similar instrument under the Uniform Commercial Code which names the Company or any Restricted Subsidiary as debtor has been filed in any State or other jurisdiction, except such as have expired by their terms or with respect to which termination statements have been filed, and neither the Company nor any Restricted Subsidiary has signed any such financing statement or similar instrument or any security agreement authorizing any secured party thereunder to file in the future any such financing statement or similar instrument, except to perfect or protect security interests permitted by § *9.6* hereof. The Company and its Subsidiaries enjoy peaceful and undisturbed possession under all leases under which they operate, all such leases are valid and subsisting, with no default on the part of the Company or any Subsidiary existing thereunder, and none of such leases contains any unusual or burdensome provision which materially adversely affects or in the future may (so far as the Company can now foresee) materially adversely affect the business, operations, affairs, property or condition, financial or otherwise, of the Company or any Subsidiary under such lease.

H. Except as reflected in Note 13 to each of the Company's consolidated balance sheets as of December 31, 1972 and as of September 27, 1973, referred to in *Subsection D* of this Section, there are no actions, suits or proceedings pending, or to the knowledge of the Company threatened, against or affecting the Company or any Subsidiary or the property of the Company or any Subsidiary in any court or before an arbitrator of any kind or before or by any governmental body (except actions, suits or proceedings of the character normally incident to the kind of business conducted

by the Company and its Subsidiaries which, if adversely determined, would not, individually or in the aggregate, materially adversely affect the business, operations, affairs, properties, or condition, financial or otherwise, of the Company or any Subsidiary or materially impair the right of the Company or any Subsidiary to carry on its business substantially as now conducted); the Company has no reason to believe that final disposition of the proceedings described in the aforesaid Notes 13 will materially adversely affect the business, operations, affairs, properties or condition, financial or otherwise, of the Company or any Subsidiary; neither the Company nor any Subsidiary is in default with respect to any order of any court, arbitrator or governmental body; and neither the Company nor any Subsidiary is subject to or a party to any order of any court or governmental body arising out of any action, suit or proceeding under any statute or other law respecting anti-trust, monopoly, restraint of trade, unfair competition or similar matters. For the purposes of this Subsection, the term *"governmental body"* includes any Federal, State, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign; and the term *"order"* includes any judgment, order, writ, injunction, award, determination, direction, decree or demand. The foregoing is subject to the matters set forth in the letter dated November 21, 1973 referred to in § *2E* hereof.

I. The consummation of the transactions hereby contemplated and performance of this Agreement and of the terms and covenants hereof and of the Notes will not result in any breach of, or constitute a default under, or result in the creation of any lien, charge, security interest or other encumbrance upon or in any properties of the Company or any Subsidiary under, any indenture, mortgage, deed of trust, bank loan or credit agreement, corporate charter, by-laws, or other agreement or instrument to which the Company or any Subsidiary is a party or by which the Company or any Subsidiary or any of their respective properties may be bound or affected.

J. Since September 27, 1973, neither the business, operations, affairs, properties nor condition, financial or otherwise, of the Company or any Subsidiary have been materially adversely affected in any way as a result of any loss or damage (whether or not

insured against) by fire, explosion, accident, strike, lockout, riot, civil commotion, malicious mischief, sabotage, fraud, flood, drought, storm, hail, earthquake, embargo or act of God or of the public enemy or other casualty.

K. Neither the Company nor any Subsidiary is an "enemy" or an "ally of enemy" within the meaning of Section 2 of the Trading with the Enemy Act, or a "national" of any foreign country designated in Executive Order No. 8389, as amended, of the President of the United States of America, or of any "designated enemy country" or "designated foreign country", as defined in Executive Order No. 9193, as amended by Executive Order No. 9989, of the President of the United States of America or in either the Foreign Assets Control Regulations or the Cuban Assets Control Regulations of the United States Treasury Department (31 C.F.R. Subtitle B Chapter V, as amended), or is acting on behalf of or for the benefit of a "person in Southern Rhodesia" within the meaning of the Rhodesian Sanctions Regulations of the United States Treasury Department (31 C.F.R. Subtitle B, Chapter V, as amended), and the Company is not a "foreign issuer" or "foreign obligor" as defined in 26 U.S.C.A. § 4920, as amended, for purposes of the United States Interest Equalization Tax. The Company was not formed, and will not be availed of, for the principal purpose of obtaining funds (directly or indirectly) for such a foreign issuer or foreign obligor.

L. The Company and its Domestic Subsidiaries possess adequate licenses, permits, patents, copyrights, trademarks and trade names, or rights thereto, to conduct their respective businesses substantially as now conducted and presently proposed to be conducted, without any known conflict with the rights of others.

M. Neither the Company nor any Subsidiary is a party to or bound by any contract which, in the opinion of the Company, is a burdensome contract materially adversely affecting, or which in the future may (so far as the Company can now foresee) materially adversely affect, the business, operations, affairs, property or condition, financial or otherwise, of the Company or any Subsidiary.

N. The Company has not, either directly or through any agent, offered the Notes or any part thereof, or any similar security or securities, for sale to, or solicited any offer to buy any of the

same from, or otherwise approached or negotiated in respect thereof with, any person or persons other than the Lender and 60 other institutional investors, and the Company agrees that neither it nor any agent on its behalf will offer the Notes or any part thereof, or any similar security or securities, for sale to, or solicit any offer to buy any of the same from, or otherwise approach or negotiate in respect thereof with, any person or persons so as thereby to bring the making and delivery of the Notes within the provisions of Section 5 of the Securities Act of 1933, as amended.

O. The Company will use a portion of the proceeds of the loan to be made hereunder on the First Closing Date to pay in full and retire $5,750,000 aggregate principal amount of its Short-Term Borrowings owed to banks. The Company will use the balance of such proceeds and the proceeds of the loan to be made hereunder on the Second Closing Date to finance cash acquisitions to expand the Company's business in the various areas in which it operates or to purchase fixed assets and, to the extent such proceeds are not used for such purposes, such proceeds will be added to the working capital of the Company. The Company will not use the proceeds of the loans to be made under this Agreement for the purpose of (i) engaging in any transaction which violates Executive Order No. 11387 of the President of the United States, or any regulation or ruling thereunder, or the Foreign Direct Investment Regulations, 15 C.F.R. 1000, or the "Revised Guidelines for Banks and Nonbank Financial Institutions Under the President's Balance of Payments Program" as issued November 11, 1971 by the Board of Governors of the Federal Reserve System, or any regulation or ruling thereunder, or any amendment or supplement to any thereof, (ii) engaging in any transaction which violates the Foreign or Cuban Assets Control Regulations of the United States Treasury Department, 31 C.F.R., Subtitle B, Chapter V, as amended, or any regulation or ruling issued thereunder, (iii) engaging in any transaction which violates the Rhodesian Sanctions Regulations of the United States Treasury Department, 31 C.F.R., Subtitle B, Chapter V, as amended, or any regulation or ruling issued thereunder, or (iv) acquiring stock of a foreign issuer or a debt obligation of a foreign obligor within the meaning of the United States Interest Equalization Tax Act, 26 U.S.C.A. § 4911 *et seq.*, as amended; and the Company will not otherwise take or permit any action which would subject the acquisition of the Notes to any of the

penalties or taxes provided in or by any such Order, Regulation or Act.

P. The assets of the Company and its Subsidiaries do not include any "margin security" (as defined in Regulation G of the Board of Governors of the Federal Reserve System, 12 C.F.R. 207, as amended) other than any having an aggregate fair market value of less than one percent of the consolidated assets of the Company and its Subsidiaries, and neither the Company nor any Subsidiary has any intention of purchasing or carrying any such margin security with the proceeds of the loans hereunder, or of taking any action which would involve the Lender in a violation of such Regulation G or the Company in a violation of Regulation X of the Board of Governors of the Federal Reserve System, 12 C.F.R. 224. No part of any Indebtedness to be reduced or retired out of the proceeds of the loans hereunder was incurred for the purpose of purchasing or carrying a "margin security" within the meaning of such Regulation G.

Q. Neither the Company nor any Subsidiary is an "investment company", or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended, or is a "holding company", or a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company", as such terms are defined in the Public Utility Holding Company Act of 1935, as amended.

R. The Company has furnished to the Lender a schedule, dated the date hereof, describing in reasonable detail all Investments of the Company and its Restricted Subsidiaries as at December 31, 1972, except that the receivables and the amount thereof shown thereon are as at September 27, 1973.

S. No consent, approval or authorization of, or designation, registration, declaration or filing with, any governmental body or authority is required in connection with the Company's valid and effective execution, delivery and performance of this Agreement and its offer, issuance and delivery of the Notes pursuant hereto.

T. Within the meaning of, and computed as provided in, Section 81(2) of the New York Insurance Law, the Company's net earnings available for fixed charges for the period of five fiscal years ended December 31, 1972 have averaged per year not less than 1½ times its average annual fixed charges applicable to such period, and during each of its two fiscal years ended December 31, 1972 the Company's net earnings available for fixed charges have been not less than 1½ times its fixed charges for such year, in each case both on a consolidated basis for the Company and its Subsidiaries and on an unconsolidated basis for the Company.

U. Except as reflected in Note 13 to each of the consolidated balance sheets as of December 31, 1972 and as of September 27, 1973 referred to in *Subsection D* of this Section, the Company and its Subsidiaries are in compliance with all applicable requirements of all governmental authorities, Federal, State, municipal, foreign or other, with respect to the conduct of its business and the ownership of its property, including without limitation applicable requirements relating to quality criteria and standards for air, water, land and other environmental matters and to controls over prices and profits.

V. The Company has heretofore delivered to the Lender a correct and complete conformed composite copy of the Note Agreements dated as of October 15, 1968, as amended (herein called the "*Subordinated Note Agreement*"), pursuant to which the Company's 6⅞% Convertible Subordinated Notes due October 15, 1988 were issued in the aggregate principal amount of $6,000,000 and are outstanding in the aggregate principle amount of $4,075,000 on the date hereof. The Notes will constitute Senior Debt as defined in the Subordinated Note Agreement and the holders of the Notes will be entitled to the benefits of the subordination provisions contained in Section 10 of the Subordinated Note Agreement.

All representations and warranties made by the Company herein or in any certificate delivered pursuant hereto shall survive the delivery of the Notes to the Lender and the Lender's making of the loans evidenced thereby. All statements contained in any certificate or other instrument delivered by the Company under this Agreement shall constitute representations and warranties made by the Company hereunder.

§ 3. **Making of the Loans.**

A. Subject to the terms and conditions of this Agreement, the Lender will lend to the Company, and the Company will borrow from the Lender, the sum of $5,904,000 on December 27, 1973 (herein called the *"First Closing Date"*), such loan to be made against, and evidenced by, a Note in the principal amount of $6,000,000.

B. Subject to the terms and conditions of this Agreement, the Lender will, if the Company so elects, make an additional loan to the Company, in the amount hereinafter provided, on March 4, 1974, May 15, 1974 or October 15, 1974, as the Company may designate by notice to the Lender given not less than 60 days, nor more than 120 days, prior to the date of the making of such additional loan (herein called the *"Second Closing Date"*). The additional loan provided for in this Subsection shall be made against, and evidenced by, a Note in the principal amount of $2,000,000 (or any lesser principal amount, which is an even multiple of $500,000, as the Company may designate in its notice of election to borrow the additional amount provided for in this Subsection). The amount of such additional loan shall be that percentage of the principal amount of the Note evidencing such additional loan as is specified below:

Second Closing Date	Percentage
March 4, 1974	98.421
May 15, 1974	98.444
October 15, 1974	98.492

The Company's right to borrow under this Subsection (herein called the *"Additional Commitment"*) may be exercised on only one occasion. The term *"Closing Date"* means either the First Closing Date or the Second Closing Date, or both, as the context may require.

C. On each Closing Date, the Company will deliver to the Lender at its home office, 1285 Avenue of the Americas, New York, N. Y., one printed Note, dated such Closing Date, in the principal amount provided for in *Subsection A* or *B* above, as the case may be, registered in the name of the Lender, against delivery to the Company of the Lender's check, payable to the order of the Company, drawn on a bank which is a member of the New York Clearing House Association in the amount of the loan to be evidenced by such Note.

D. The Company shall have the right, at any time or from time to time, upon not less than 30 days' prior notice to the Lender, to terminate in full the Additional Commitment or to reduce the amount thereof, provided that any such reduction shall be an even multiple of $500,000. On the date of such termination in full and on the date of each such reduction, the Company will pay to the Lender an amount equal to ½ of 1% of the amount of the Additional Commitment so terminated or reduced. On the Second Closing Date or on October 15, 1974, whichever is earlier, the Company will pay to the Lender an amount equal to ½ of 1% of the amount, if any, of the Additional Commitment then outstanding and not exercised.

E. In addition to any amount payable under *Subsection D* above, on the Second Closing Date, the date of termination in full of the Additional Commitment (as provided in *Subsection D* above), or on October 15, 1974, whichever is earliest, the Company will pay to the Lender a commitment fee equal to ½ of 1% per annum (computed on the basis of a 360-day year of twelve 30-day months) on the amount of the Additional Commitment (giving effect to any reductions therein made as provided in *Subsection D* above), for the period from and including June 26, 1973, to and including the date of such payment.

F. The Lender represents that it is making the loans provided for hereunder for investment and with no present intention of selling the Notes or any part thereof, subject, nevertheless, to the disposition of its property being, at all times, within its control.

§ 4. **Expenses.** The Company agrees, whether or not the transactions hereby contemplated shall be consummated, to pay all expenses incident to such transactions and any amendments of or waivers under or with respect to this Agreement or the Notes (including all printing and other expenses and the fees and disbursements of the Lender's special counsel designated herein for their services to the Lender with respect thereto and the fees and disbursements of any local or foreign counsel for any opinions which the Lender or its said special counsel may deem it advisable to obtain) and to reimburse the Lender for any out-of-pocket expenses in connection therewith. The obligations of the Company under this Section shall survive the payment of the Notes.

§ 5. **Conditions.** The obligation of the Lender to make the loan to be made on each Closing Date hereunder shall be subject to the following conditions:

A. All transactions, proceedings and instruments relating to the making of this Agreement, the loans hereunder and the execution and delivery of the Notes hereunder shall be satisfactory to the Lender and its special counsel named in *Subsection D* of this Section; and the Lender shall have received copies of all such documents or other evidence as it may reasonably request in order to establish the consummation of such transactions, the taking of all corporate proceedings in connection therewith and compliance with the conditions set forth in this Section, in form (as to certification and otherwise) and substance satisfactory to the Lender and its said special counsel.

B. All representations and warranties in § *2* hereof shall (except as affected by transactions hereby contemplated) be true on and as of said Closing Date with the same effect as though such representations and warranties had been made on and as of said Closing Date; the Company shall have performed all agreements on its part required to be performed on or prior to said Closing Date; the Company shall not have taken or suffered to be taken any action which would have been prohibited by § *9.8* hereof if this Agreement had been a binding and effective instrument during the period which shall have elapsed from December 31, 1972 to and including said Closing Date; the Company shall not have consolidated or merged with, or sold, leased or otherwise disposed of its properties as an entirety or substantially as an entirety to, any person irrespective of whether or not the same would have been permitted by § *9.14* hereof; and no Event of Default shall have occurred and be continuing and no event which, with notice or lapse of time or both, would become an Event of Default shall have occurred and be continuing.

C. The Company shall have delivered to the Lender a certificate of an authorized financial officer or a Vice President of the Company, stating that, after giving effect to the loan being made hereunder on said Closing Date, the Company will be in compliance with the restrictions contained in Section 13(n) of the Subordinated Note Agreement, and showing in reasonable detail all calculations required to establish such compliance.

D. The Lender shall have received from Messrs. Seward & Kissel of New York, New York, who are acting as special counsel

for it in connection with the loans hereby contemplated, an opinion in scope and substance satisfactory to the Lender as to

(1) the due incorporation, existence and good standing of the Company and its corporate power to enter into this Agreement and carry out the transactions contemplated hereby and to own and hold property and to carry on the business in which it is engaged as set forth in the Report as modified by *Exhibit C* hereto;

(2) the due authorization, execution and delivery by the Company of this Agreement and the Note evidencing the loan to be made on said Closing Date and the legality, validity, binding effect and enforceability, as against the Company, of this Agreement and the Note in accordance with their respective terms;

(3) the exemption of the issuance, negotiation and delivery of the Notes, and the making of the loans, from the provisions of the Securities Act of 1933, as amended, and the exemption from qualification of an indenture in respect of the Notes under the Trust Indenture Act of 1939, as amended, under the circumstances contemplated by this Agreement, and the availability to the Lender under existing laws of such exemptions in respect of any sale of the Notes or any part thereof by the Lender, if the Lender should in the future deem it expedient to sell the Notes or any part thereof;

(4) the status of the Notes as Senior Debt as defined in the Subordinated Note Agreement entitling the holders thereof to the benefits of the subordination provisions contained in Section 10 of the Subordinated Note Agreement;

(5) the absence of any requirement for any consent, approval or authorization of, or any declaration or filing with, any governmental authority for the valid execution and delivery of this Agreement and the valid offer, issuance and delivery of the Notes;

(6) the making of the loans hereunder not involving the Lender in a violation of Regulation G of the Board of Governors of the Federal Reserve System;

(7) the opinions or other evidence referred to in *Subsections E, F, G* and *H* of this Section being satisfactory in scope and substance; and

(8) such other matters incident to the transactions hereby contemplated as the Lender may reasonably request.

E. The Lender shall have received from John P. Schelling, Esq., Vice President and General Counsel of the Company, an opinion in scope and substance satisfactory to the Lender and its said special counsel as to

(1) all matters specified in *Clauses (2) to (6)*, inclusive, of *Subsection D* of this Section;

(2) the due incorporation, existence and good standing of the Company and of each of its Subsidiaries, the corporate power of the Company and of each of its Subsidiaries on said Closing Date to own and hold property and to carry on the businesses in which they are respectively engaged as shown in the Report, as modified by *Exhibit C* hereto, and the due qualification and good standing of the Company and of each of its Subsidiaries as a foreign corporation in each State or other jurisdiction (naming such State and jurisdictions) wherein the character of the properties owned or held by it and them on said Closing Date or the nature of the business then being transacted by it and them makes such qualification necessary;

(3) the valid issuance, full payment and non-assessability of all stock of each Subsidiary outstanding on said Closing Date and the good and marketable title of the Company and each Subsidiary on said Closing Date to all then outstanding stock, and other securities, which any of them purports to own, of each Subsidiary, free and clear of any mortgage, lien, pledge, charge, security interest or other encumbrance;

(4) the fact that the Company will not incur any material liability as a result of the 13 actions in the United States District Court for the Northern District of California involving wrongful death claims arising out of the crash of an aircraft in May, 1970, described in Note 13 to the Company's con-

solidated balance sheet as of December 31, 1972 referred to in *Subsection D* of § *2* hereof;

(5) the matters specified in *Subsections H, I, K, P and Q of* § *2* hereof, in each case to the best of such counsel's information and belief;

(6) the opinion or opinions or other evidence referred to in *Subsections F, G* and *H* of this Section being satisfactory in scope and substance (to the extent said opinion or opinions are not rendered by said counsel); and

(7) such other matters incident to the transactions hereby contemplated as the Lender may reasonably request.

It is understood that with regard to Subsidiaries incorporated outside of the State of Delaware or the District of Columbia said counsel for the Company may rely upon the opinions of other appropriate counsel accompanying the opinion of said counsel for the Company.

F. The Lender shall have received an opinion or opinions or other evidence satisfactory to the Lender and its said special counsel

(1) as to the titles of the Company and its Subsidiaries to all plants and other important properties which they respectively purport to own on said Closing Date; and

(2) as to the rights of the Company and its Subsidiaries in respect of all plants and other important properties which they respectively purport to hold on said Closing Date.

G. The Lender shall have received from Messrs. Simpson Thacher & Bartlett, counsel for the Company in the actions entitled *Humble Oil & Refining Company* v. *The Ralph M. Parsons Co. and Hydrocarbon Research, Inc.* (which was commenced in December 1972 in the United States District Court for the Southern District of New York and subsequently transferred to the United States District Court for the District of New Jersey), *Exxon Corporation* v. *The Ralph M. Parsons Co., Hydrocarbon Research, Inc. and Cities Services Research & Development Company* (which was commenced in October 1973 in the Superior Court of New Jersey) and *Valentine* v. *Hydrocarbon Research, Inc.* (which was com-

menced in March 1973 in the United States District Court for the District of New Jersey), an opinion, in scope and substance satisfactory to the Lender and its said special counsel, to the effect that, as of said Closing Date, on the basis of evidence deduced to said Date they are of the judgment that Hydrocarbon Research, Inc., a Wholly-owned Restricted Subsidiary of the Company, has valid and meritorious defenses in the actions and should prevail.

H. The Lender shall have received from Messrs. Hogan & Hartson an opinion, in scope and substance satisfactory to the Lender and its said special counsel, to the effect that, as of said Closing Date, they have no reason to believe that the Company will incur any material liability as a result of the actions referred to in *Subsection G* of this Section.

I. On said Closing Date the Lender shall have the right under then applicable laws to make the loan to be made by it hereunder on said Closing Date and to acquire as a legal investment under said laws the Note evidencing such loan (without resort to any basket provisions of said laws permitting portions of the Lender's assets to be invested in securities not otherwise legally eligible for investment, such as Section 81(17) of the New York Insurance Law), and the Company shall have delivered to the Lender such certificate or other evidence as the Lender may request to establish compliance with this condition.

§ 6. **Financial Statements and Information.** The Company will furnish in duplicate to the Lender, so long as the Lender shall be obligated to make the loans hereunder or shall hold any of the Notes, and to any other institutional investor which is at the time the registered holder of at least 15% in aggregate principal amount of the Notes then outstanding and has filed a written request therefor with the Company:

A. as soon as available and in any event within 45 days after the end of the first, second and third quarterly accounting periods in each fiscal year of the Company, copies of (a) a consolidating balance sheet of the Company and its Restricted Subsidiaries as of the end of such accounting period and the related consolidating statements of earnings and surplus of the Company and its Restricted Subsidiaries for the portion of its fiscal year

ended with the last day of such accounting period, and (b) (either separately or as a part of the foregoing consolidating financial statements) a consolidated balance sheet of the Company and its Restricted Subsidiaries as of the end of such accounting period and the related consolidated statements of earnings and surplus of the Company and its Restricted Subsidiaries for the portion of its fiscal year ended with the last day of such accounting period, all in reasonable detail and stating in comparative form all consolidated figures, as of the end of and for the corresponding period in the previous fiscal year and certified by an authorized financial officer of the Company, subject, however, to year-end adjustments;

B. as soon as available and in any event within 120 days after the end of each fiscal year of the Company,

(1) copies of (a) a consolidating balance sheet of the Company and its Subsidiaries as of the end of such fiscal year and the related consolidating statements of earnings and surplus of the Company and its Subsidiaries for such fiscal year certified by an authorized financial officer of the Company, and (b) (either separately or as a part of the foregoing consolidating financial statements) a consolidated balance sheet of the Company and its Subsidiaries as of the end of such fiscal year and the related consolidated statements of earnings and surplus of the Company and its Subsidiaries for such fiscal year, all in reasonable detail and stating in comparative form all consolidated figures as of the end of and for the previous fiscal year and certified by independent public accountants of recognized standing selected by the Company,

(2) a written statement of the accountants who certified the financial statements specified in the foregoing *Clause* (*1*) for such fiscal year (a) showing the amount available at the end of such fiscal year for dividends, other Restricted Payments and Investments under § *9.8* hereof, setting forth in reasonable detail all computations under said § *9.8* pursuant to which each such amount was determined, (b) showing the amount of Consolidated Net Working Capital as of the end of such fiscal year, setting forth in reasonable detail the computation pursuant to which such amount was determined, (c) if in such fiscal year the Company or any Restricted Subsidiary

created, assumed or incurred, or suffered to be created, assumed or incurred or to exist, any mortgage, lien, pledge, charge, security interest or other encumbrance described in *Subsection C* or *D* of § *9.6* hereof, showing the details thereof and the calculations showing compliance with *Subsection C* or *D* of § *9.6* hereof, as the case may be, (d) if the Company or any Restricted Subsidiary created, assumed, incurred, guaranteed or became liable in respect of any Indebtedness in such fiscal year pursuant to *Subsections A(3)*, *A(4)*, *A(6)*, *C(2)* or *C(3)* of § *9.5* hereof, showing the details thereof and all calculations showing compliance therewith, (e) if in such fiscal year the Company or any Restricted Subsidiary entered into any lease which is subject to the provisions of § *9.7* hereof, showing the details thereof and the calculations showing compliance with said § *9.7*, (f) showing in reasonable detail the amount of Consolidated Joint Venture Liabilities as of the end of such fiscal year, and (g) stating that in making the examination necessary for their certification of such financial statements in so far as accounting matters are concerned they have obtained no knowledge of any default by the Company in the performance of any of the provisions of § *9* hereof, or if such accountants shall have obtained knowledge of any such default, specifying all such defaults and the nature thereof, and

(3) a certificate of an authorized financial officer or Vice President of the Company showing all insurance in force as of the end of such fiscal year as required by § *9.3* hereof, designating the risks insured, the amounts of coverage and the names of the insurers;

C. concurrently with the financial statements for each quarterly accounting period and for each fiscal year of the Company, furnished pursuant to the foregoing provisions, a certificate of the President, a Vice President or the Treasurer of the Company stating that in the opinion of the signer, based upon a review made under his supervision, the Company has performed and observed all of, and the Company is not in default in the performance or observance of any of, the terms, covenants or conditions hereof or, if the Company shall be in default, specifying all such defaults, and the nature thereof, of which the signer of such certificate may have knowledge;

D. all such other information with respect to any Unrestricted Subsidiary which such Subsidiary furnishes, or the Company causes to be furnished, to any class of security holders generally of such Subsidiary;

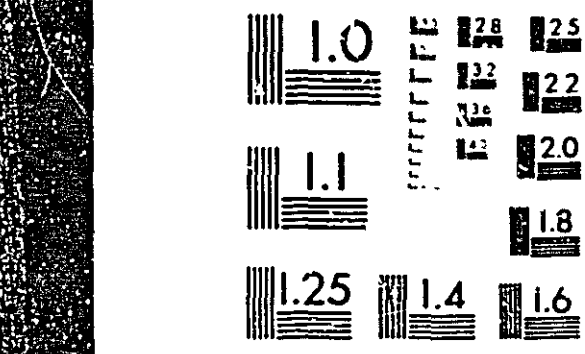
E. promptly after the receipt thereof by the Company, copies of any detailed audits submitted to the Company or any Subsidiary by independent accountants in connection with each annual or interim audit of the accounts of the Company or of such Subsidiary made by such accountants;

F. promptly after the same are available, copies of all proxy statements, financial statements and reports which the Company shall send or make available generally to its shareholders or which any Subsidiary shall send or make available generally to its shareholders other than the Company, and copies of all regular and periodic reports which the Company or any Subsidiary may be required to file with the Securities and Exchange Commission or any similar or corresponding governmental commission, department or agency substituted therefor or with any securities exchange;

G. as promptly as practicable (but in any event not later than 15 days) after any financial officer or any other officer of the Company (but in the latter case only one who is based at the Company's principal executive offices) obtains knowledge of the occurrence of any condition or event which constitutes an Event of Default or which, after notice or lapse of time or both, would constitute an Event of Default, a certificate of the President or a Vice President and the Treasurer or an Assistant Treasurer of the Company specifying the nature of such condition or event, the period of existence thereof, what action the Company has taken and is taking and proposes to take with respect thereto and the date, if any, on which it is estimated the same will be remedied; and

H. such other information relating to the performance of the provisions of this Agreement and the affairs of the Company and its Subsidiaries as the Lender or any such holder may from time to time reasonably request.

The Company will furnish to each institutional investor which is at the time the registered holder of at least 15% in aggregate principal amount of the Notes then outstanding as many copies of this Agree-



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ment (including all amendments and waivers in respect thereof), certified by the Secretary or an Assistant Secretary of the Company, as such holder may reasonably request.

The Company will also keep at its principal executive office and (if any outstanding Note is held by any person other than the Lender) at the principal office of The Chase Manhattan Bank (N.A.) in the Borough of Manhattan, City and State of New York, or at an office or agency of the Company in said Borough, a true copy of this Agreement (including all amendments and waivers in respect thereof) and cause the same to be available for inspection at said offices during normal business hours by any registered holder of a Note or any prospective purchaser of a Note designated by a registered holder thereof.

§ 7. **Inspection of Properties and Books.** The Lender, so long as it shall be obligated to make the loan hereunder or shall hold any of the Notes, and any other institutional investor which is the registered holder of at least 15% in aggregate principal amount of the Notes at the time outstanding, shall have the right to visit and inspect any of the properties of the Company and its Subsidiaries, to examine the books of account of the Company and its Subsidiaries and to discuss the affairs, finances and accounts of the Company and its Subsidiaries with, and to be advised as to the same by, its and their officers, all at such reasonable times and intervals as the Lender or such holder may desire.

§ 8. **Prepayment of the Notes.**

§ 8.1. *Optional Prepayments.* The Company, at its election, subject to the restrictions in § *8.2* hereof and subject to the giving of notice as provided in § *8.3* hereof, may

A. without payment of any prepayment charge, prepay on May 15 in any one or more of the years 1977 to 1987, inclusive, a principal amount of the outstanding Notes equal to the aggregate principal installments required to be made in respect of the Notes on such May 15 (or any lesser principal amount thereof which is an integral multiple of $50,000) but not exceeding in the aggregate on all such dates 25% of the aggregate original principal amount of the Notes, such privilege to be non-cumulative, so that the failure

to elect to make such prepayment on any such May 15 shall not entitle the Company to increase the amount to be paid on any subsequent May 15 in accordance with this Subsection; and

B. prepay the outstanding Notes at any time as a whole, or from time to time in part in any integral multiple of $50,000, upon payment in each case of a prepayment charge equal to 6.65% if prepaid prior to May 15, 1974, or the applicable percentage set forth below if prepaid on or after said date, of the principal amount being prepaid:

If Prepaid During 12 Months' Period Beginning May 15	Prepayment Charge Percentage	If Prepaid During 12 Months' Period Beginning May 15	Prepayment Charge Percentage
1974	6.175	1981	2.850
1975	5.700	1982	2.375
1976	5.225	1983	1.900
1977	4.750	1984	1.425
1978	4.275	1985	.950
1979	3.800	1986	.475
1980	3.325	1987	None

§ 8.2. *Restrictions on Prepayment.* The Company covenants and agrees that it will not effect any prepayment of the Notes under any provision hereof (i) prior to the Second Closing Date, the date of termination of the Additional Commitment, or October 15, 1974, whichever is earliest, or (ii) prior to November 15, 1981, directly or indirectly as a part of, or in anticipation of, any refinancing operation involving the incurring of any Indebtedness by the Company or any Affiliate of the Company for borrowed money, if such Indebtedness has an effective interest rate or an effective interest cost (computed in accordance with generally accepted financial practice) of 8½% or less per annum or has a Weighted Average Life to Maturity of less than the then remaining Weighted Average Life to Maturity of the Notes or involving the issuance or sale of preferred stock of any class of the Company or any Affiliate of the Company having a dividend rate of 8½% or less per annum and which is redeemable under any circumstances (other than liquidation) at the option of the issuer thereof or any Affiliate or shareholder of such issuer; and each notice of any prepayment of the Notes prior to November 15, 1981 shall state that such prepayment is not being so effected.

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§ 8.3. *Notice of Prepayments.* In the case of each optional prepayment of the Notes, notice thereof shall be given in writing to the holders of all outstanding Notes as provided in § *18* hereof not less than 30 days prior to the date fixed for such prepayment, shall specify the Subsection of § *8.1* hereof pursuant to which such prepayment is to be made and shall contain any statements required by § *8.2* hereof.

§ 8.4. *Obligation to Prepay after Notice.* Upon notice of any prepayment being given as provided in § *8.3* hereof, there shall become due and payable, at the principal office of The Chase Manhattan Bank (N.A.) in the Borough of Manhattan, City and State of New York, on the date specified in such notice, the principal amount of the Notes, or portion thereof, designated for prepayment, with interest accrued on such principal amount, or portion thereof, to the date fixed for such prepayment, plus the amount of the prepayment charge, if any.

§ 8.5. *Application of Prepayments.* In the case of any prepayment of less than the entire unpaid principal amount of all outstanding Notes, the amount to be prepaid shall be applied pro rata to all outstanding Notes according to the respective unpaid principal amounts thereof. The amounts so prepaid shall be credited against the last maturing installment or installments of principal then remaining unpaid on the outstanding Notes.

§ 8.6. *Purchase of Notes.* The Company will not, and will not permit any Subsidiary or Affiliate of the Company to, directly or indirectly purchase or otherwise acquire any Notes except by way of payment or prepayment in accordance with the provisions of the Notes and of this Agreement.

§ 9. **Covenants of the Company.** The Company covenants and agrees that, so long as the Lender is obligated to make the loans hereunder and thereafter so long as any of the Notes shall remain outstanding, the Company will duly perform and observe each and all of the covenants and agreements hereinafter set forth, namely:

§ 9.1. *Books of Record and Account; Reserves.* The Company will, and will cause each Subsidiary to,

A. at all times keep proper books of record and account in which full, true and correct entries will be made of its transactions in accordance with sound accounting practice; and

B. set aside on its books for each fiscal year, commencing with its first fiscal year ending after the date hereof, reserves for depreciation, depletion, obsolescence and amortization of its properties during such year, determined in accordance with sound accounting practice, and all other proper reserves, similarly determined, which should be set aside in connection with its business.

§ 9.2. *Payment of Taxes; Corporate Existence; Maintenance of Properties; Governmental Requirements.* The Company will, and will cause each Domestic Subsidiary to,

A. pay and discharge promptly all taxes, assessments and other governmental charges or levies imposed upon it or upon its income or upon any of its property, real, personal or mixed, or upon any part thereof, as well as all claims of any kind (including claims for labor, materials and supplies) which, if unpaid, might by law become a lien or charge upon its property; *provided, however,* that neither the Company nor any Subsidiary shall be required to pay any such tax, assessment, charge, levy or claim while it shall be contesting the amount, applicability or validity thereof in good faith by appropriate proceedings promptly initiated and diligently conducted if the Company or such Subsidiary, as the case may be, shall have set aside on its books reserves (segregated to the extent required by sound accounting practice) deemed by it to be adequate with respect thereto;

B. do all things necessary to preserve and keep in full force and effect its corporate existence, rights and franchises; *provided, however,* that nothing in this Subsection shall prevent (1) the abandonment or termination of the corporate existence, rights and franchises of any Subsidiary if, in the opinion of the Board, such abandonment or termination is advisable and in the best interests of the Company and not disadvantageous in any material respect to the holders of the Notes, or (2) the withdrawal by the Company or any Subsidiary from any state or jurisdiction of its qualification as a foreign corporation and its authorization to do business in such State or jurisdiction, or (3) a consolidation or merger of the Company permitted by § *9.14* hereof or of a Restricted Subsidiary permitted by § *9.13* hereof;

C. maintain and keep its properties in good repair, working order and condition, and from time to time make all needful

and proper repairs, renewals and replacements, so that the business carried on in connection therewith may be properly and advantageously conducted at all times, *provided, however,* that the Company or any Subsidiary may cease to operate any of its plants or any other property if in the judgment of the Board it is advisable and in the best interest of the Company and not disadvantageous in any material respect to the holders of the Notes not to operate the same; and

D. comply with all applicable requirements in effect from time to time of all governmental authorities, Federal, State, municipal, foreign or other, with respect to the conduct of its business and the ownership of its property, including, without limitation, applicable requirements relating to quality criteria and standards for air, water and land and other environmental matters and to controls over prices and profits.

§9.3. To Insure. The Company will, and will cause each Restricted Subsidiary to,

A. keep all its insurable properties insured against loss or damage by fire, lightning, windstorm, hail, explosion, riot, riot attending a strike, civil commotion, aircraft, vehicle and smoke in amounts sufficient to prevent the Company or such Subsidiary, as the case may be, from becoming a coinsurer within the terms of the policies in question, but in any event in amounts not less than 80% of the then full insurable value thereof;

B. keep all its insurable properties insured against war risk, as and when and to the full extent such insurance is obtainable from the United States of America or an agency thereof, or from a government in a jurisdiction wherein such properties are located or from an agency of such a government;

C. keep all its insurable properties insured against all other risks usually insured by persons of established reputation operating like or similar properties in the localities where such properties are located;

D. maintain public liability insurance against claims for personal injury, death or property damage suffered by others upon or in or about any premises occupied by it or occurring as a result of its ownership, maintenance or operation of any automobiles, trucks or other vehicles or aircraft or other facilities or as a result of the use of products manufactured, constructed or sold by it or services rendered by it;

E. maintain all such workmen's compensation or similar insurance as may be required under the laws of any State or jurisdiction in which it may be engaged in business; and

F. maintain such other insurance (including business interruption insurance), if any, as is customarily maintained by persons of established reputation operating like or similar businesses in the same localities.

All insurance for which provision has been made in Subsections C, D and F of this Section shall be maintained in at least such amounts as such insurance is usually carried by persons engaged in the same or a similar business; and all insurance herein provided for shall be effected under a valid and enforceable policy or policies issued by insurers of recognized responsibility, except that the Company or any Subsidiary may effect workmen's compensation or similar insurance in respect of operations in any State or other jurisdiction either through an insurance fund operated by such State or other jurisdiction or by causing to be maintained a system or systems of self-insurance which is in accord with applicable laws.

For insurable property having individually a net book value no greater than $25,000, the Company may, upon approval of the Board, self insure against the risks for which insurance is to be obtained under the provisions of Subsections A, B and C of this Section.

§ 9.4. *Payment of Indebtedness.* The Company will, and will cause each Subsidiary (but only to the extent that such Subsidiary's assets shall be sufficient for the purpose) to,

A. pay or cause to be paid the principal of and prepayment charge, if any and interest on all Indebtedness heretofore or hereafter incurred or assumed by it when and as the same shall become due and payable, unless such Indebtedness be renewed or extended; and

B. faithfully perform, observe and discharge all the covenants, conditions and obligations which are imposed on it by any and all indentures and other agreements securing or evidencing such Indebtedness or pursuant to which such Indebtedness is issued, and not permit the occurrence of any act or omission which is or may be declared to be a default thereunder;

provided, however, that neither the Company nor any Subsidiary shall be required to make any payment or to take any other action by reason of this Section at any time while it shall be contesting in good faith by appropriate proceedings promptly initiated and diligently conducted its obligation so to do, if it shall have set aside on its books adequate reserves (segregated to the extent required by sound accounting practice) with respect thereto, and *provided further,* that the Company shall not be required by this Section to make any payment in respect of any Subordinated Funded Debt, except to the extent that the holders of the Notes (and the holders of any other Senior Funded Debt to which such Subordinated Funded Debt is subordinated in compliance with this Agreement) are entitled to receive such payment pursuant to the subordination provisions applicable to such Subordinated Funded Debt.

§9.5. Limitation on Indebtedness and Guaranties. The Company will not, and will not permit any Restricted Subsidiary to, create, assume or incur, or guarantee or otherwise become or be liable in respect of, any Indebtedness other than

A. in the case of the Company,

(1) the Notes,

(2) Indebtedness of the Company outstanding on the date hereof and referred to in Exhibit D hereto, but not any replacement, extension or renewal of any thereof except as permitted by and subject to another provision of this Section,

(3) additional unsecured Senior Funded Debt, provided, however, that, immediately after giving effect thereto, Consolidated Net Tangible Assets shall exceed (i) 225% of Consolidated Senior Funded Debt and (ii) 160% of Consolidated Funded Debt,

(4) additional unsecured Subordinated Funded Debt, provided, however, that, immediately after giving effect thereto, Consolidated Net Tangible Assets shall exceed 160% of Consolidated Funded Debt,

(5) Funded Debt for the purpose of extending, renewing or refunding any Funded Debt of the Company outstanding on the date hereof (other than the Notes), provided, however, that no such extension, renewal or refunding shall have the effect of increasing Consolidated Funded Debt, shortening the Weighted Average Life to Maturity or accelerating the maturity of any issue

of Funded Debt, or altering or removing any subordination, security or similar provisions associated with any issue of Funded Debt if such action would be disadvantageous in any material respect to the interests of the holders of the Notes,

(6) Short-Term Borrowings from banks, provided, however, that during the period of 15 consecutive calendar months commencing January 1, 1976 and during each successive period of 450 consecutive days or less, as hereinafter defined in this Section, there shall be a period of at least 45 consecutive days during which no such Short-Term Borrowings in excess of $1,000,000 shall have been outstanding (the first period of 450 consecutive days or less and each such period thereafter shall commence on the day immediately following the last day of the period of at least 45 consecutive days during which no such Short-Term Borrowings in excess of $1,000,000 shall have been outstanding),

(7) guaranties of Indebtedness of The State Electric Company Limited, an Ontario corporation, permitted by Clause (3) of Subsection C of this Section,

(8) additional unsecured Senior Funded Debt not exceeding $2,550,000 aggregate principal amount evidenced by 8 1/4% promissory notes of the Company due and payable on or before July 1, 1977, which was incurred in connection with the purchase by the Company of all of the outstanding capital stock of Fuller-Austin Insulation Company and Solar Insulators, Inc., but not any replacement, extension or renewal thereof except as permitted by and subject to another provision of this Section,

(9) a guaranty in favor of Banco Credito Nacional do Brasil, a Brazilian bank, of not exceeding $1,178,000 principal amount of indebtedness of Taxi Aereo Servincin Ltda. payable on or before March, 1980, plus interest thereon (but not any replacement, extension or renewal thereof), provided, however, that such indebtedness shall be secured by a first mortgage on the Sabreliner Commander 40A whose purchase gave rise to such indebtedness and by a mortgage on two Aero Commanders Model 500 U and one Aero Commander Shrike Model 500 S and shall have the benefit of a guaranty in the amount of approximately $560,000 by Banco Itamarati, a Brazilian bank,

(10) additional unsecured Indebtedness, which shall be non-interest bearing, not exceeding $100,000 in aggregate amount, payable $20,000 per year during the five-year period ending December 31, 1978, in respect of a consultant's fee, but not any replacement, extension or renewal thereof,

(11) Short-Term Borrowings from The State Electric Company Limited, provided, however, that at all times while any such Short-Term Borrowings is outstanding The State Electric Company Limited shall be a Wholly-owned Restricted Subsidiary and shall not have outstanding any Indebtedness constituting Funded Debt or Short-Term Borrowings from banks,

(12) additional unsecured Indebtedness not exceeding $152,000 aggregate principal amount evidenced by 8 1/4% promissory notes of the Company, payable in equal installments in July 1975 and January 1976, and not exceeding $460,000 aggregate principal amount evidenced by 8 1/4% promissory notes of the Company, payable in substantially equal installments in October 1975 and April 1976, all issued by the Company to purchase the common stock of the Company issued to the former shareholders of The State Electric Company Limited in connection with the Company's acquisition of The State Electric Company Limited, but not any replacement, extension or renewal thereof except as permitted by and subject to another provision of this Section,

(13) in addition to the guaranties otherwise permitted by this §9.5, guaranties of and contingent liabilities with respect to Indebtedness of Restricted Subsidiaries, Unrestricted Subsidiaries and customers of the Company not exceeding $2,000,000 in the aggregate outstanding at any time and not exceeding $300,000 aggregate Indebtedness of any one Restricted Subsidiary, Unrestricted Subsidiary or customer outstanding at any time, provided, however, that in only one case at any time the aggregate Indebtedness of one such person which is the subject of such guaranties and contingent liabilities may exceed $300,000 but may not exceed $500,000, and provided further, that such $2,000,000 amount shall be reduced by all amounts paid by the Company in respect of such guaranties and contingent obligations,

(14) after December 31, 1979, additional unsecured Indebtedness to Alan Bradford in an aggregate amount not exceeding 50% of the amount paid by the Company to Mr. Bradford in 1980 upon the redemption part of the purchase price paid by the Company in its acquisition of the capital stock of AFB Contractors, Inc., but not exceeding $1,670,000 aggregate principal amount in any event, payable over a period of two to five years in equal semi-annual installments with interest at a rate not exceeding 8 1/2% per annum, but not any replacement, extension or renewal thereof except as permitted by and subject to another provision of this Section, and

(15) additional unsecured Senior Funded Debt not exceeding $1,320,000 aggregate principal amount evidenced by the 8 1/2% Convertible Subordinated Debentures due 1981 of the Company issued by the Company in connection with the Company's acquisition of Kennedy Electric Company, Inc., but not any replacement, extension or renewal thereof except as permitted by and subject to another provision of this Section;

B. in the case of the Company or any Restricted Subsidiary,

(1) Current Liabilities (exclusive of Indebtedness for borrowed money) for accounts payable and expense accruals incurred or assumed in the ordinary course of business, which accounts payable have not remained unpaid for a period of six months after the same became an account payable unless the same represent contract retentions or shall currently be contested by the Company or such Subsidiary in good faith by appropriate proceedings promptly initiated and diligently conducted,

(2) liabilities for taxes, assessments or other governmental charges or levies, the payment of which is not at the time required by §9.2A hereof,

(3) liabilities for dividends declared by the Company or such Subsidiary (subject, however, in the case of the Company, to §9.8 hereof),

(4) contingent liabilities represented by endorsements of negotiable instruments for collection in the ordinary course of business,

(5) Indebtedness secured by mortgages, liens, pledges, charges, security interests or other encumbrances permitted by §9.6 hereof,

(6) guaranties outstanding on December 31, 1972 and referred to in Exhibit D hereto, provided, however, that, increases in the dollar amount of guaranties outstanding on December 31, 1972 due to currency fluctuations or the transfer of such outstanding guaranties to the Company or a Restricted Subsidiary from a Restricted Subsidiary or the Company, respectively, shall not be considered guaranties entered into subsequent to December 31, 1972, and provided further, that the terms, amount (other than a reduction thereof) and items covered by such guaranties are not changed,

(7) liabilities for deferred credits in respect of accounts receivables or inventories and any deferred liabilities in respect of employee compensation or employee pension or profit-sharing plans,

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(8) Indebtedness fully secured by the cash surrender value of any life insurance policy, and

(9) in addition to the foregoing, Indebtedness of the Company owing to a Wholly-owned Restricted Subsidiary other than (directly or indirectly) to The State Electric Company Limited and Indebtedness of a Restricted Subsidiary to the Company or a Wholly-owned Restricted Subsidiary, provided, however, that the Company may incur Indebtedness owing to The State Electric Company Limited consisting of Short-Term Borrowings permitted by §9.5A(11) hereof;

C. in the case of any Restricted Subsidiary,

(1) Indebtedness of such Restricted Subsidiary outstanding on the date hereof and referred to in Exhibit D hereto, but not any replacement, extension or renewal of any thereof,

(2) Funded Debt of any person which becomes a Restricted Subsidiary after the date hereof which is outstanding on the date such person becomes a Restricted Subsidiary (but not any replacement, extension or renewal of any thereof). provided, however, that, immediately after giving effect thereto, Consolidated Net Tangible Assets shall exceed (i) 225% of Consolidated Senior Funded Debt and (ii) 160% of Consolidated Funded Debt, and provided further that such Subsidiary at the time of acquisition has Net Tangible Assets in excess of its Funded Debt and the aggregate principal amount of all Funded Debt of all Restricted Subsidiaries except the State Electric Company Limited at any time outstanding pursuant to this Clause (2) shall not exceed $1,500,000,

(3) in the case of The State Electric Company Limited, Funded Debt in an aggregate principal amount of not more than $1,500,000 outstanding at any time and Short-Term Borrowings from banks in an aggregate principal amount of not more than $1,500,000 outstanding at any time, provided, however, that during each period of 45 consecutive days referred to in Clause (6) of Subsection A of this Section no such Short-Term Borrowings shall have been outstanding, and provided further, that, immediately after giving effect to the incurrence of such Funded Debt, Consolidated Net Tangible Assets shall exceed (i) 225% of Consolidated Senior Funded Debt and (ii) 160% of Consolidated Funded Debt,

(4) in the case of AFB Contractors, Inc., Indebtedness of said corporation outstanding on the date (January 14, 1975) on which it became a Wholly-owned Restricted Subsidiary, namely, the

Indebtedness referred to in Subsections J and K of §9.6 hereof outstanding on such date, but not any replacement, extension or renewal of any thereof,

(5) in the case of Fuller-Austin Insulation Company, Fuller Austin of Canada Limited and Solar Insulators, Inc., Indebtedness of said corporations outstanding on the date (July 11, 1974) on which said corporations became Wholly-owned Restricted Subsidiaries, namely, the Indebtedness referred to in Subsections L and M of §9.6 hereof outstanding on such date, but not any replacement, extension or renewal of any thereof, and

(6) in the case of Kennedy Electric Company, Inc., Indebtedness of said corporation outstanding on the date (January 30, 1976) on which it became a Wholly-owned Restricted Subsidiary, namely, an unsecured promissory note in the principal amount of $37,500 and the Indebtedness referred to in Subsection N of §9.6 hereof outstanding on such date, but not any replacement, extension or renewal of any thereof.

Notwithstanding any of the foregoing, (a) the aggregate principal amount of Indebtedness in respect of guaranties and other conditional obligations entered into by the Company and its Restricted Subsidiaries after December 31, 1972 (including renewals, extensions and replacements of any guaranties and other conditional obligations existing on December 31, 1972), except those permitted by Clauses (7), (9) and (13) of Subsection A of this Section, shall not exceed $3,000,000 outstanding at any one time, and (b) in addition to its Redeemable Stock outstanding on the date hereof, the Company may create, issue and permit to be outstanding not exceeding $2,000,000 aggregate principal amount of Indebtedness consisting of Redeemable Stock plus not exceeding $3,000,000 aggregate principal amount of Indebtedness consisting of Redeemable Stock issued or issuable, as part of the purchase price or an incentive plan, in connection with the acquisition by the Company of all of the capital stock of AFB Contractors, Inc. in January, 1975, regardless of whether such Indebtedness at the time would be permitted under any provision of this Section but such Indebtedness shall nevertheless be taken into account as Indebtedness in all subsequent computations under this Agreement, including this §9.5.

The Company will not, and will not permit any Domestic Subsidiary to, create, assume or incur, or guarantee or otherwise become or be liable in respect of, any Indebtedness for money borrowed, advances made or goods purchased, if the lender of such money or the person making such advances or the vendor of such goods (or any person who guarantees or becomes surety for all or any part of such Indebtedness or acquires any right or incurs any obligation to become, either immediately or upon the occurrence of some future contingency, the owner of all or any part thereof) shall, either immediately or upon the

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occurrence of insolvency or some other contingency, have any right, by reason of any statute (including, without limitation, U.S. Revised Statutes §3466, 31 U.S.C.A. §191) or otherwise, to have any claim in respect of such Indebtedness first satisfied out of the general assets of the Company or such Subsidiary in priority to the claims of its general creditors, except as permitted by §9.6F hereof.

§9.6. Limitation on Liens. The Company will not, and will not permit any Restricted Subsidiary to, (i) create, assume or incur, or suffer to be created, assumed or incurred or to exist, any mortgage, lien, pledge, charge, security interest (including for all purposes hereof any Capitalized Lease and any conditional sales agreement or any lease in the nature thereof or any other title retention agreement) or other encumbrance of any kind upon or in any property of any character of the Company or such Subsidiary, whether heretofore or hereafter acquired, or (ii) give its consent to the subordination of any right or claim of the Company or such Subsidiary to any right or claim of any other person; excluding, however, from the operation of this Section:

A. mortgages, liens, pledges, charges or other security interests or encumbrances created by any Restricted Subsidiary as security for Indebtedness owing to the Company or a Wholly-owned Restricted Subsidiary;

B. liens for taxes or assessments or other governmental charges or levies as to which the Company or such Subsidiary is not delinquent or to the extent that nonpayment thereof shall be permitted by the proviso in §9.2A hereof; pledges or deposits to secure obligations under workmen's compensation laws or similar legislation, including liens of judgments thereunder which are not currently dischargeable; pledges or deposits to secure performance in connection with bids, tenders, contracts (other than contracts for the payment of money) or leases made in the ordinary course of business to which the Company or a Restricted Subsidiary is a party as lessee, provided that each such lease is permitted under §9.7 hereof and that the aggregate value of all such pledges and deposits in connection with all such leases does not at any time exceed $250,000; deposits to secure public or statutory obligations of the Company or a Restricted Subsidiary; materialmen's, mechanics', carriers', workmen's, repairmen's or other like liens arising in the ordinary course of business, or deposits to obtain the release of such liens; deposits to secure or in lieu of surety, appeal or customs bonds to which the Company or a Restricted Subsidiary is a party; liens created by or resulting from any litigation or legal proceeding which is currently being contested in good faith by appropriate proceedings promptly initiated and diligently conducted; leases made as lessor, or existing on property acquired, in the ordinary course of business; landlord's liens

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under leases existing on the date hereof and landlord's liens (imposed by law) under leases hereafter made to which the Company or a Restricted Subsidiary is a party; and zoning restrictions, easements, licenses, restrictions on the use of real property or minor irregularities in title thereto, which do not, in the opinion of the Board, materially impair the use of such property in the operation of the business of the Company or a Restricted Subsidiary or the value of such property for the purpose of such business;

C. purchase money mortgages, liens or security interests upon or in property acquired after the date hereof and not theretofore owned by the Company or such Subsidiary or mortgages, liens or security interests existing upon or in such property at the time of acquisition thereof or mortgages, liens or security interests hereafter created upon or in the real property in Martinez, California commonly known as 261 Arthur Road and the approximately two acres of adjacent land, now owned by AFB Contractors, Inc. in order to finance the expansion of the headquarters building of AFB Contractors, Inc. located thereon, or, in the case of any corporation which becomes a Restricted Subsidiary after the date hereof, mortgages, liens or security interests upon or in its property existing at the time such corporation becomes a Restricted Subsidiary, provided, however, that

(1) no such mortgage, lien or security interest extends or shall extend to or cover any other property of the Company or such Restricted Subsidiary, as the case may be,

(2) the principal amount of Indebtedness in respect of any property secured by mortgages, liens and security interests described in this Subsection shall not exceed 66 2/3% of the cost of such property to the Company or such Subsidiary, as the case may be, or the fair value of such property at the time of such acquisition (or at the time such corporation became a Restricted Subsidiary or, in the case of the Martinez, California, property, at the time of the creation of such mortgage, lien or security interest) as determined by the Board, whichever shall be the lesser, and

(3) immediately after giving effect to such corporation becoming a Restricted Subsidiary, or the creation or assumption of, or acquisition of property subject to, any Indebtedness secured by any mortgage, lien or security interest described in this Subsection, the aggregate principal amount of all Indebtedness of the Company and its Restricted Subsidiaries secured by mortgages, liens and security interests described in this Subsection and Subsection D of this Section shall not exceed 15% of Consolidated Tangible Net Worth, and Consolidated Net Tangible

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Assets shall exceed (i) 225% of Consolidated Senior Funded Debt and (ii) 160% of Consolidated Funded Debt;

D. the replacement, extension or renewal of any mortgage, lien or security interest permitted by Subsection C of this Section upon or in the same property theretofore subject thereto and fixed improvements constructed thereon or the replacement, extension or renewal (without increase of principal amount) of the Indebtedness secured thereby, provided, however, that immediately after such replacement, extension or renewal the aggregate principal amount of all Indebtedness of the Company and its Restricted Subsidiaries secured by mortgages, liens and security interests described in this Subsection and Subsection C of this Section shall not exceed 15% of Consolidated Tangible Net Worth, and Consolidated Net Tangible Assets shall exceed (i) 225% of Consolidated Senior Funded Debt and (ii) 160% of Consolidated Funded Debt;

E. the mortgage, liens and security interests described in Exhibit D hereto which are in effect on the date hereof and any replacement, extension or renewal thereof if the Indebtedness secured thereby constitutes Funded Debt of the Company permitted by §9.5A(5) hereof, provided, however, that in the case of any such replacement, extension or renewal such mortgages, liens and security interests shall not extend to any property not covered by such existing mortgages, liens and security interests on the date hereof and the aggregate principal amount of Indebtedness secured thereby shall be not greater than that existing on the date hereof;

F. liens upon advances, deposits or partial or progress payments made to the Company or any Restricted Subsidiary, or upon work in process or materials or supplies or finished goods or tooling acquired by the Company or such Subsidiary, specifically for the performance by the Company or such Subsidiary of any United States Government contract or subcontract to which the Company or such Subsidiary is a party, and liens, if any, in favor of the United States Government upon other property arising from any of the foregoing, to the extent that such liens are required in compliance with Federal law by the United States Government or its agencies or its or their prime contractors as a condition of and as security for such advances, deposits or partial or progress payments;

G. any Capitalized Lease, provided, however, that each such Capitalized Lease is permitted under §9.7 hereof;

H. liens, security interests or other encumbrances created by Gulf Telephone & Electronics, Inc. in favor of First Mark Credit Corp. by the former's assignment of rentals and its interest as lessor under leases of private telephone equipment as security for Indebtedness

of Gulf Telephone & Electronics, Inc. to First Mark Credit Corp. in an aggregate principal amount not exceeding $624,000 outstanding at any one time, provided, however, that Gulf Telephone & Electronics, Inc. shall have no personal liability in respect of any such Indebtedness or lien, security interest or other encumbrance;

I. liens, security interests or other encumbrances created by Gulf Telephone & Electronics, Inc. in favor of First Mark Credit Corp. by the former's assignment of rentals and its interest as lessor under leases of private telephone equipment as security for Indebtedness of Gulf Telephone & Electronics, Inc. to First Mark Credit Corp. in an aggregate principal amount not exceeding $300,000 outstanding at any one time:

J. mortgages, liens, security interests or other encumbrances created by AFB Contractors, Inc. by the assumption by AFB Contractors, Inc. of a first mortgage on its headquarters building located at 261 Arthur Road, Martinez, California, securing Indebtedness to United California Bank outstanding in the principal amount of $144,000 on December 31, 1974, and payable by June 1, 1975; the replacement of said first mortgage on August 4, 1975, by a first mortgage securing Indebtedness in the principal amount of $161,000 payable with interest at the rate of 10% per annum to Bank of America NT&SA under a 25-year level repayment schedule; the assumption by AFB Contractors, Inc. of a second mortgage on said headquarters building in favor of J. Fornoff securing Indebtedness to Mr. Fornoff outstanding in the principal amount of $125,240 on December 24, 1974, payable by July 1, 1978, with interest at the rate of 6% per annum; the creation by AFB Contractors, Inc. on August 4, 1975, of a first mortgage on a building located at 4575 Pacheco Boulevard, Martinez, California, securing Indebtedness to Bank of America NT&SA in the principal amount of $134,000 payable, with interest at the rate of 10% per annum, under a 25-year level repayment schedule; the creation by AFB Contractors, Inc. on April 1, 1975 of a deed of trust on approximately two acres of land adjacent to 261 Arthur Road, Martinez, California securing Indebtedness to Mr. Gene Capps in the principal amount of $33,825 payable, with interest of 8% per annum, under a 9-year level repayment schedule; but not any replacement, extension or renewal of any thereof except as permitted by Subsection C of this Section;

K. liens, security interests or other encumbrances upon or in machinery and equipment of AFB Contractors, Inc. securing Funded Debt of said corporation outstanding in the approximate aggregate principal amount of $270,000 on the date on which it became a Restricted Subsidiary (referred to in §9.5C(4) hereof), but not any replacement, extension or renewal of any thereof;

L. mortgages, liens, security interests or other encumbrances created by Fuller-Austin Insulation Company

by the assumption by Fuller-Austin Insulation Company of a first mortgage on its office and warehouse property located on Highway 90, City of Sulphur, Louisiana securing Indebtedness to First Federal Savings and Loan Association of Lake Charles, Louisiana, outstanding in the principal amount of $147,034.66 on June 30, 1974 and payable monthly with interest at the rate of 8 1/2% per annum through December 1988, but not any replacement, extension or renewal thereof;

M. mortgages, liens, security interests or other encumbrances created by Fuller-Austin Company of Canada Limited by the assumption by Fuller-Austin of Canada Limited of a first mortgage on its office and warehouse property located at 4020 11A Street, S.E., Calgary, Alberta, Canada securing Indebtedness to Industrial Development Bank, Calgary, Alberta outstanding in the principal amount of $62,640.00 on June 30, 1974 and payable monthly with interest at the rate of 8 1/2% per annum through April 1979, but not any replacement, extension or renewal thereof; and

N. mortgages, liens, security interests or other encumbrances upon or in machinery and equipment of Kennedy Electric Company, Inc. securing Funded Debt of said corporation outstanding in the approximate aggregate principal amount of $26,400 on the date on which it became a Restricted Subsidiary (referred to in §9.5C(6) hereof), but not any replacement, extension or renewal of any thereof.

The Company will not, and will not permit any Restricted Subsidiary to, sign or file in any State or other jurisdiction a financing statement or similar instrument under the Uniform Commercial Code which names the Company or such Subsidiary as debtor or sign any security agreement authorizing any secured party thereunder to file any such financing statement, except, in any such case, a financing statement or similar instrument filed or to be filed to perfect or protect a security interest which the Company or such Subsidiary is entitled to create, assume or incur, or permit to exist, under the foregoing provisions of this §9.6.

§9.7. Limitation on Rental Obligations. The Company will not, and will not permit any Restricted Subsidiary to, enter into any lease of real, personal or mixed property if, immediately after giving effect thereto, the aggregate amount, determined on a consolidated basis, of the net rental obligations (including rental obligations constituting Indebtedness) of the Company and its Restricted Subsidiaries for any current or future period of 12 consecutive months under leases of real, personal or mixed property shall exceed 10% of Consolidated Tangible Net Worth, exclusive of

A. rental obligations under leases having a term (including terms of renewal or extension at the option of the lessor or lessee, whether or not any such lease has theretofore been renewed or extended) expiring less than three years after the time of determination;

B. leases of office space and related parking areas;

C. leases of electronic data processing equipment used by the Company or any Restricted Subsidiary; and

D. leases of equipment used by the Company or any Restricted Subsidiary for the benefit of projects ordered by its customers under terms whereby the lease cost is effectively reimbursed by the customer, including the liability for any termination or phase-out costs in event of discontinuance of the contract involved.

For the purpose of this Section, the amount of the net rental obligation for any period of 12 consecutive months under any such lease shall be the sum of the rental and other payments required to be paid in such period by the lessee thereunder, not including, however, any amounts required to be paid by such lessee (whether or not therein designated as rental or additional rental) on account of maintenance and repairs, insurance, taxes, assessments, water rates and similar charges.

The Company will not, and will not permit any Restricted Subsidiary to, enter into any sale and leaseback or similar arrangement with any person, other than the Company or a Wholly-owned Restricted Subsidiary, whereby the Company or a Restricted Subsidiary will become lessee of any property which has been or is to be sold or transferred by the Company or a Restricted Subsidiary unless the Company or such Restricted Subsidiary has the right to repurchase such property and unless the Company would be able to incur at least $1 of additional unsecured Senior Funded Debt pursuant to the provisions of §9.5A(3) hereof, including in the calculation thereof as Senior Funded Debt the sum of the repurchase price and the total net rental obligation of the lessee, provided, however that any lease by the Company or a Restricted Subsidiary as lessee of a telephone system sold to and installed for the lessor of such system by the Company or a Restricted Subsidiary and providing for the transfer of ownership of such system to the lessee at the end of the term of such lease at no or nominal cost to the lessee shall not be deemed to be a sale and leaseback or similar arrangement but shall be a lease subject to the provisions of the first paragraph of this Section and the net rental obligation of the lessee under such lease shall not constitute Indebtedness of the lessee for any provision of this Agreement.

§9.8. Limitation on Dividends, Other Restricted Payments and Investments. The Company will not directly or indirectly declare or pay any dividend on any shares of stock of any class of the Company (including the Company's Redeemable Stock), now or hereafter outstanding (other than a dividend payable solely in shares of stock of the Company), and the Company will not, and will not permit any Restricted Subsidiary to, make or commit to make any other Restricted Payment or any Investment, unless (i) both at the time of and immediately after giving effect to the proposed dividend, other Restricted Payment or Investment, as the case may be, no condition or event shall exist which constitutes an Event of Default or which, after notice or lapse of time or both, would constitute an Event of Default, (ii) any such dividend is declared to be payable not more than 90 days after the date of declaration, and (iii) after giving effect as if made to the dividend, other Restricted Payment or Investment proposed to be made or committed for, at the date of the declaration of a dividend or at the date of making (and also the date of any commitment to make) any other Restricted Payment or any Investment (herein called the "Computation Date"), the sum of

(1) the aggregate amount of all Restricted Payments constituting dividends or other distributions declared on any shares of stock of any class of the Company (including the Company's Redeemable Stock), now or hereafter outstanding, during the period commencing January 1, 1973 to and including the Computation Date (herein called the "Computation Period"),

(2) the excess, if any, of (i) the aggregate amount of all Restricted Payments made on account of the purchase, redemption (other than any redemption of any shares of the Company's Redeemable Stock effected at the option of the holder thereof in accordance with its terms except that there shall not be excluded 50% of the aggregate cash amounts paid upon the redemption of the Redeemable Stock of the Company (or in respect of any promissory note issued upon such redemption) issued by it as part of the purchase price, exclusive of any incentive bonus shares, for the capital stock of AFB Contractors, Inc. in excess of the net equity (i.e., excess of assets over liabilities) of AFB Contractors, Inc. immediately after the acquisition of its capital stock by the Company) or other acquisition of any shares of stock of any class of the Company (including the Company's Redeemable Stock), now or hereafter outstanding, during the Computation Period, including all commitments for any such Restricted Payments outstanding on the Computation Date, over (ii) the aggregate net proceeds (cash or property) received by the Company during the Computation Period from the issuance or sale of any shares of stock of any class of the Company (other than upon conversion of other securities, including the Company's Redeemable Stock, other than proceeds from the issuance or sale of any Redeemable Stock and other than proceeds used to make Investments referred to in Subsection I of the definition of "Investment" contained in §10 hereof) during the Computation Period,

(3) the excess, if any, of (i) the aggregate amount of all Restricted Payments made on account of any principal of, prepayment charge on, or any purchase, redemption, retirement or other acquisition of, any of the Company's Subordinated Funded Debt during the Computation Period (other than payments made prior to June 30, 1973 for the purchase by the Company of $1,925,000 principal amount of its 6 7/8% Convertible Subordinated Notes due 1988), including all commitments for any such Restricted Payments outstanding on the Computation Date, over (ii) the aggregate net cash proceeds received by the Company during the Computation Period from the issuance or sale of any Subordinated Funded Debt of the Company during the Computation Period,

(4) the aggregate amount of all other Restricted Payments made during the Computation Period, including all commitments for any such Restricted Payments outstanding on the Computation Date, and

(5) the excess, if any, of (i) the aggregate amount of all Investments made by the Company and its Restricted Subsidiaries during the Computation Period over (ii) the aggregate of the net proceeds after taxes realized by the Company and its Restricted Subsidiaries during the Computation Period upon the liquidation of Investments (whenever made), including after January 1, 1974 as such net proceeds after taxes for the purpose of this Clause (ii) $352,144 of capital gains realized by Hydrocarbon Realty, Inc. a Nevada corporation, in the calendar year 1973,

would not exceed the sum of $2,000,000, plus 50% (or minus 100% in the case of a deficit) of Consolidated Net Income for the Computation Period.

For purposes of any computation under this Section, (i) the amount to be included with respect to any property, other than cash, received by the Company shall be the fair value thereof as of the date of such receipt as determined by the Board or the net book value of such property on the transferor's books (determined in accordance with sound accounting practice), whichever is lower, and (ii) any stock issued but held in escrow on December 31, 1972 or at any time thereafter to and including the date hereof under contingent "earn out" provisions shall be deemed to have been issued prior to January 1, 1973.

Notwithstanding the restrictions contained in this Section, the Company may make or commit to make any Restricted Payment or Investment consisting of (i) a payment or distribution on account of any Subordinated Funded Debt of the Company to which the holders of the Notes (and the holders of any other Senior Funded Debt to which such Subordinated Funded Debt is subordinated in compliance with this Agreement) shall become entitled pursuant to the subordination provisions applicable to such Subordinated Funded Debt, (ii) a mandatory installment, serial maturity, sinking fund or other similar principal payment in respect of the Company's

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Subordinated Funded Debt in accordance with the terms of the instruments creating or evidencing such Subordinated Funded Debt, (iii) a declaration or payment of regular cash dividends on shares of Redeemable Stock or (iv) a guaranty permitted by Clause (9) or (13) of §9.5A hereof, but all sums and property involved in each such Restricted Payment or Investment shall nevertheless be taken into account in all subsequent computations under this Section.

The Company will not permit any Subsidiary to purchase or otherwise acquire, or at any time to hold, any shares of stock of any class of the Company.

If at any time any person shall become a Restricted Subsidiary, the Company, for the purposes of this Section, shall be deemed to have permitted such Subsidiary to have made at such time all Investments which such Restricted Subsidiary shall have outstanding at such time, provided, however, that if the acquisition by the Company or any Restricted Subsidiary of any stock or Indebtedness of such person prior to the time it became a Restricted Subsidiary had been charged as an Investment under this Section and such Investment was unliquidated at the time such person became a Restricted Subsidiary, the amount of such unliquidated Investment shall not be taken into account in any subsequent computations under this Section.

If upon any consolidation, merger, sale, lease or other disposition permitted by this Agreement, the Company and its Restricted Subsidiaries (determined immediately after giving effect thereto) shall have any Investments which the Company and its Restricted Subsidiaries (determined immediately prior to giving effect thereto) did not have prior thereto, the Company shall be deemed immediately thereafter to have made, and to have permitted its Restricted Subsidiaries to have made, all such Investments.

If at any time any Restricted Subsidiary shall cease to be a Restricted Subsidiary and immediately thereafter the Company or any other Restricted Subsidiary shall have any Investments therein, the Company or such other Restricted Subsidiary, as the case may be, shall, for the purposes of this Section, be deemed to have made, or permitted to be made, all such Investments at such time.

§9.9. Maintenance of Consolidated Net Working Capital. The Company will at all times maintain Consolidated Net Working Capital in an amount not less than $10,000,000.

§9.10. *Maintenance of Consolidated Net Working Capital in Excess of Consolidated Joint Venture Liabilities.* The Company will at all times maintain Consolidated Net Working Capital in an amount in excess of Consolidated Joint Venture Liabilities not included in the calculation of such Consolidated Net Working Capital.

§9.11. Limitation on Consolidated Performance Bond Liabilities. The Company will not permit Consolidated Performance Bond Liabilities at any time in respect of any single project to be greater than $40,000,000 and in respect of any three projects to be greater than $70,000,000 in the aggregate.

§9.12. *Limitation on Issuance of Shares of Stock of Restricted Subsidiaries; Disposition of Shares of Stock and Indebtedness of Restricted Subsidiaries.* The Company will not permit any Restricted

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Subsidiary to issue, sell or otherwise dispose of any shares of stock of any class, or any securities convertible into or exchangeable for or carrying rights to subscribe for shares of stock of any class, of such Subsidiary to any person other than the Company or a Wholly-owned Restricted Subsidiary, except that any Restricted Subsidiary may issue or sell shares for the purpose of qualifying directors or may issue or sell additional shares of its common stock to the holders of common stock of such Subsidiary or their assignees so long as the pro rata interest of the Company and its Restricted Subsidiaries in such stock of such Subsidiary outstanding immediately prior to such issuance or sale is not reduced.

The Company will not permit any Restricted Subsidiary to issue or have outstanding any class of stock ranking as to dividends or assets prior to any other class of stock unless all of the stock of such prior ranking class shall be owned by the Company.

The Company will not sell, transfer or otherwise dispose of any shares of stock (except for the purpose of qualifying directors) or any Indebtedness of any Restricted Subsidiary or permit any Restricted Subsidiary to sell, transfer or otherwise dispose of (except for the purpose of qualifying directors or to the Company or a Wholly-owned Restricted Subsidiary) any shares of stock or Indebtedness of any other Restricted Subsidiary, unless

(1) simultaneously with such sale, transfer or other disposition all shares of stock and all Indebtedness of such Subsidiary at the time owned or held by the Company and by every other Restricted Subsidiary shall be sold, transferred or disposed of as an entirety;

(2) the Board shall have determined that the retention of such stock and Indebtedness is no longer in the best interests of the Company and that the disposition thereof is not disadvantageous in any material respect to the holders of the Notes;

(3) such stock and Indebtedness are sold, transferred or otherwise disposed of for a consideration and upon terms deemed by the Board to be fair, adequate and satisfactory;

(4) if such Subsidiary shall own or hold any shares of stock or any Indebtedness of any other Restricted Subsidiary, simultaneously with such sale, transfer or disposition, all shares and Indebtedness of such other Restricted Subsidiary at the time owned or held by the Company and all other Restricted Subsidiaries shall be sold, transferred or disposed of and the Board shall have made the determinations specified in the foregoing *Clauses* (*2*) and (*3*) in respect of the sale, transfer or other disposition thereof;

(5) if the consideration for any such sale, transfer or other disposition shall include shares of stock of any other corporation, immediately after such transaction such other corporation shall be a Wholly-owned Restricted Subsidiary; and

(6) if the consideration for any such sale, transfer or other disposition shall include obligations of any other person, the shares of stock and Indebtedness so sold, transferred or otherwise disposed of shall be validly pledged as security for such obligations, free and clear of all other pledges and all mortgages, liens, charges, security interests and other encumbrances, and under the terms of such pledge the pledgor shall covenant not to vote such shares for, or to permit, any increase in the amount of outstanding Indebtedness for money borrowed, or any increase in the outstanding number of shares of stock of any class, of the corporation whose shares or Indebtedness are so pledged.

The Company will not permit any Unrestricted Subsidiary to purchase or otherwise acquire, or at any time hold, any shares of stock of any class or any Indebtedness of any Restricted Subsidiary.

§ 9.13. *Limitation on Restricted Subsidiary's Consolidation, Merger or Disposition of Property.* The Company will not permit any Restricted Subsidiary to consolidate with or merge into any other corporation except that any Restricted Subsidiary may consolidate with or merge into the Company or any other Wholly-owned Restricted Subsidiary.

The Company will not permit any Restricted Subsidiary to sell, lease or otherwise dispose of its properties as an entirety or substantially as an entirety (other than through a consolidation or merger permitted by the preceding paragraph) except to the Company or a Wholly-owned Restricted Subsidiary, unless

A. the Board shall have determined that the retention of such properties is no longer in the best interests of the Company and that the disposition thereof is not disadvantageous in any material respect to the holders of the Notes;

B. such properties are sold, leased or otherwise disposed of for a consideration and upon terms deemed by the Board to be fair, adequate and satisfactory;

C. if the consideration for any such sale, lease or other disposition shall include stock of any other corporation, immediately after such transaction such other corporation shall be a Wholly-owned Restricted Subsidiary;

D. if the consideration for any such sale or other disposition (other than a lease) shall include obligations of any other person, such obligations shall be secured by a purchase money mortgage, lien or other security interest upon all or substantially all mortgageable fixed assets so sold or disposed of (and all improvements and fixtures thereafter placed thereon) ranking prior to any other mortgages, liens, charges, security interests and other encumbrances thereon other than mortgages, liens, charges, security interests and other encumbrances subject to which such fixed assets shall have been sold or disposed of; and

E. if such properties shall include any shares of stock or any Indebtedness of any other Restricted Subsidiary, the disposition thereof shall be made in compliance with § *9.12* hereof.

The Company will not permit any Subsidiary, directly or indirectly, to sell, lease or otherwise dispose of any patents or rights with respect thereto relating to the "H-Oil" process, except to the Company or a Wholly-owned Restricted Subsidiary or pursuant to license agreements in the ordinary course of business for royalties and upon terms deemed by the Board to be fair, adequate and satisfactory.

§ 9.14. *Limitation on Company's Consolidation, Merger or Disposition of Property.* The Company will not consolidate with or merge into any person, or sell, lease or otherwise dispose of its properties as an entirety or substantially as an entirety, unless

A. the successor formed by or surviving such consolidation or merger or the transferee to which such disposition shall have been made shall be a solvent corporation organized under the laws of the United States of America or a State thereof or the District of Columbia;

B. such successor or transferee corporation shall expressly assume in writing (by an instrument copies of which shall be mailed by registered mail to the holders of all outstanding Notes) the due and punctual payment of the principal of and interest and prepayment charge, if any, on the Notes, according to their tenor, and the due and punctual performance and observance of all of the terms, covenants, agreements and conditions of this Agreement to be performed or observed by the Company to the same extent as if

such successor or transferee corporation had originally executed this Agreement in the place of Dynalectron Corporation and had been the original maker of the Notes (it being agreed that such assumption shall, upon the request of the holder of any outstanding Note, be evidenced by the endorsing by such successor or transferee corporation of an appropriate legend upon such Note and that each Note executed pursuant to § *12* or § *13* hereof after such assumption shall be executed by and in the name of Dynalectron Corporation or any successor to it by merger or consolidation in the manner prescribed in this Section and shall have an appropriate legend endorsed thereon by each transferee corporation, and each successor to a transferee corporation by consolidation or merger, which shall have become such in the manner prescribed in this Section);

C. at the time of and immediately after giving effect to such consolidation, merger or disposition (and such assumption), no condition or event shall exist which constitutes an Event of Default or which, after notice or lapse of time or both, would constitute an Event of Default; and

D. immediately after giving effect to such consolidation, merger or disposition (and assumption), such successor or transferee corporation would be able to incur at least $1 of additional unsecured Senior Funded Debt pursuant to the provisions of § *9.5A(3)* hereof.

Except as provided in this Section, the Company will not, directly or indirectly, sell, lease or otherwise dispose of any patents or rights with respect thereto relating to the "H-Oil" process, except to a Wholly-owned Restricted Subsidiary or pursuant to license agreements in the ordinary course of business for royalties and upon terms deemed by the Board to be fair, adequate and satisfactory.

No sale, lease or other disposition of properties permitted by this Section shall have the effect of releasing Dynalectron Corporation (or any other corporation which shall have assumed the obligations of the Company on the Notes or under this Agreement) from any obligation on any of the Notes or under this Agreement.

§ 9.15. *Limitation on Transactions with Affiliates.* The Company will not, and will not permit any Subsidiary to, engage in any transaction with an Affiliate of the Company or such Subsidiary on terms

less favorable to the Company or such Subsidiary than would be obtainable at the time in comparable transactions of the Company or such Subsidiary with any person not an Affiliate of the Company or such Subsidiary.

§ 9.16. *Limitation on Modification of Subordinated Note Agreement.* The Company will not terminate the Subordinated Note Agreement or modify any of the provisions thereof relating to subordination, mandatory or optional payment, interest rate, prepayment charge or maturity date or in any other respect which would be disadvantageous in any material respect to the holders of the Notes.

§ 10. **Definitions.** The terms defined in this Section shall, for all purposes of this Agreement, unless the context otherwise requires, have the following respective meanings:

"Additional Commitment" shall have the meaning specified in *Subsection B* of § *3* hereof.

"Affiliate" of any corporation shall mean any person which, directly or indirectly, controls or is controlled by or is under common control with such corporation and, without limiting the generality of the foregoing, shall include any person who beneficially owns or holds 5% or more of the voting stock of such corporation. For the purpose of this definition, *"control"* (including, with correlative meanings, the terms *"controlled by"* and *"under common control with"*), as used with respect to any person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such person, whether through the ownership of voting securities or by contract or otherwise.

"Board" shall mean the Board of Directors of the Company or its Executive Committee if such Committee is duly authorized to act in the place of and for the Board of Directors.

"Capitalized Lease" shall mean any lease or similar arrangement which is of such a nature that payment obligations of the lessee or obligor thereunder have been or should be capitalized and shown as liabilities (other than Current Liabilities) upon a balance sheet of such lessee or obligor prepared in accordance with sound accounting practice, including Opinions Nos. 5 and 31 of the Accounting Principles Board of the American Institute of Certified Public Accountants and Rule

3-16 of Regulation S-X of the Securities and Exchange Commission, and any amendments or supplements thereto and similar rules or guidelines substituted therefor.

"Closing Date", "First Closing Date" and *"Second Closing Date"* shall have the meanings specified in § *3* hereof.

"Company" shall mean Dynalectron Corporation, a Delaware corporation, the maker of the original Notes, and shall also mean any successor corporation which shall have become such in the manner described in § *9.14* hereof.

"Computation Date" and *"Computation Period"* shall have the meanings specified in § *9.8* hereof.

"Consolidated Funded Debt", "Consolidated Joint Venture Liabilities", "Consolidated Net Income", "Consolidated Net Tangible Assets", "Consolidated Net Working Capital", "Consolidated Performance Bond Liabilities", "Consolidated Senior Funded Debt" and *"Consolidated Tangible Net Worth"* shall mean Funded Debt, Joint Venture Liabilities, Net Income, Net Tangible Assets, Net Working Capital, Performance Bond Liabilities, Senior Funded Debt and Tangible Net Worth, as the case may be, of the Company and its Restricted Subsidiaries (whether or not ordinarily consolidated in consolidated financial statements of the Company and its Subsidiaries), all computed and consolidated in accordance with sound accounting practice and after giving appropriate effect to any outside minority interest in Restricted Subsidiaries.

"Corporation" shall include, except for the purposes of § *9.14A* hereof, an association, joint stock company, business trust or other similar organization.

"Current Assets" of any corporation shall include, at any date, all assets of such corporation which would, in accordance with sound accounting practice, be classified as current assets at such date, *provided, however,* that such term shall not include

A. any shares of stock or any Indebtedness of such corporation;

B. any Indebtedness owing to such corporation by an Affiliate thereof, unless such Indebtedness arose in connection with the sale of goods or other property in the ordinary course of

business or the performance of services in the ordinary course of business and would otherwise constitute current assets in accordance with sound accounting practice, and except for not exceeding six months of accrued interest on Indebtedness owing to such corporation by an Affiliate thereof, *provided, however,* that payment of such interest is not overdue;

C. any shares of stock of an Affiliate of such corporation;

D. any cash surrender value of any life insurance policy;

E. any franchises, licenses, permits, patents, patent applications, copyrights, trademarks, trade names, good will, experimental or organization expense or other like intangibles; or

F. any Investment of such corporation; or

G. any assets located outside (including any amounts payable by any person having any substantial part of its business, operations or properties located outside) the United States of America and Canada, except (1) lawful money of the United States of America and any currency at the time freely convertible into lawful money of the United States of America, (2) current accounts receivable arising in the ordinary course of business and not delinquent, payable in lawful money of the United States of America or any currency at the time freely convertible into lawful money of the United States of America, and (3) any work in process located outside the United States of America and Canada under a contract with the Government of the United States of America or any agency thereof or which is adequately insured under contracts guaranty coverage by the Export-Import Bank, Foreign Credit Insurance Association, Overseas Private Investment Corporation or any comparable Canadian organization, or other insurer acceptable to the Lender, but, in the case of *clauses (1)* or *(2)* above, only if the amounts referred to therein are at the time also freely transferable to the United States of America.

"Current Liabilities" of any corporation shall include, at any date, all Indebtedness (including tax and other proper accruals) of such corporation which would, in accordance with sound accounting practice, be classified as current liabilities at such date, but in any event including

A. all Indebtedness, whether secured or unsecured, of such corporation payable on demand or maturing not more than one

year after such date (whether or not any such Indebtedness is, pursuant to the terms of a revolving credit agreement or otherwise, renewable or extendible at the option of such corporation for a period ending more than one year after such date), including any fixed and contingent payments (whether installment, serial maturity or sinking fund payments or otherwise) required to be made by such corporation not more than one year after such date in respect of the principal of any of its Funded Debt;

B. all reserves in respect of liabilities or Indebtedness (payable on demand or maturing not more than one year after such date), the validity of which is at such date contested by such corporation; and

C. all Joint Venture Liabilities and Performance Bond Liabilities of such corporation which would be included in the determination of the Indebtedness of such corporation on such date.

"Event of Default" shall have the meaning specified in § *11.1* hereof.

"Funded Debt" of any corporation shall mean, at any date, all Indebtedness of such corporation which would, in accordance with sound accounting practice, be classified as funded indebtedness at such date, but in any event including all Indebtedness, whether secured or unsecured, of such corporation which matures (or which, pursuant to the terms of a revolving credit agreement or otherwise, is directly or indirectly renewable or extendible at the option of such corporation for a period ending) more than one year after the date of the creation thereof, excluding, however, (1) installment, serial maturity, sinking fund or other payments in respect thereof required to be made by such corporation not more than one year after the date as of which the amount of Funded Debt is being determined if the amount thereof is at the time included in Current Liabilities, (2) any Indebtedness fully secured by the cash surrender value of life insurance policies, (3) any deferred credits in respect of accounts receivable or inventories, (4) any deferred income taxes, (5) to the extent consistent with sound accounting practice, any deferred liabilities in respect of employee compensation or employee pension or profit-sharing plans, (6) Joint Venture Liabilities, (7) Performance Bond Liabilities, (8) in the case of the Company, Redeemable Stock of the Company issued and outstanding or in escrow subject to "earn out" contingencies on the date hereof, (9) in the case of the Company and its Restricted Subsidiaries, Indebtedness in respect of guaranties outstanding on the date hereof and described in Exhibit D hereto, and (10) any Indebtedness of the Company and its Restricted Subsidiaries created or arising under any Capitalized Lease. Any Indebtedness which is extended or

renewed (other than pursuant to an option of the borrower granted at the time of the original creation of such Indebtedness) shall be deemed to have been created at the date of such extension or renewal.

"Governmental body" shall have the meaning specified in *Subsection H* of § *2* hereof.

"Indebtedness" of any corporation shall mean, at any date, any obligations and liabilities of such corporation which would, in accordance with sound accounting practice, be classified upon a balance sheet of such corporation as liabilities of such corporation, but in any event shall include

A. all indebtedness guaranteed, directly or indirectly, in any manner by such corporation or endorsed (otherwise than for collection or deposit in the ordinary course of business) or discounted with recourse (except indebtedness, the collection and convertibility of which is adequately insured by the Export-Import Bank or under Foreign Credit Insurance Association Regulations or the regulations of any comparable Canadian organization, and except indebtedness which is deemed by the Board to be fully secured by collateral or guarantees and which for a period of at least 24 months has not been in arrears for more than 90 days) by such corporation;

B. all indebtedness in effect guaranteed, directly or indirectly, by such corporation through an agreement, contingent or otherwise, (1) to purchase, repurchase or otherwise acquire, or to supply or advance funds (whether by way of loan, stock purchase, capital contribution or otherwise) in respect of, or become or be or remain liable with respect to, directly or indirectly, any indebtedness, obligation, liability or dividend of any other person, or (2) to purchase, sell or lease (as lessee or lessor) property, products, materials, supplies, transportation or services, primarily for the purpose of enabling the debtor to make payment of such indebtedness or to assure the owner of such indebtedness against loss, regardless of the delivery or non-delivery of the property, product, materials or supplies or the furnishing or non-furnishing of the transportation or services, or (3) obligating such corporation to make any loan, advance, capital contribution or other investment in the debtor or otherwise to supply funds to or in any manner invest in the debtor; ...

C. all indebtedness secured by any mortgage, lien, pledge, charge, security interest or other encumbrance upon or in respect of property owned by such corporation, even though such corporation has not assumed or become liable for the payment of such indebtedness;

D. all indebtedness of such corporation created or arising under any Capitalized Lease or any conditional sale or other title retention agreement (including payment obligations under any lease in the nature of a title retention agreement) with respect to property acquired by such corporation, even though the rights and remedies of the seller or lender (or lessor) under such agreement in the event of default are limited to repossession or sale of such property;

E. all indebtedness of such corporation representing deferred credits in respect of accounts receivable or inventories, deferred income taxes and deferred liabilities in respect of employee compensation or employee pension or profit-sharing plans;

F. all indebtedness of said corporation represented by Redeemable Stock payable at any future time at the holder's option; the amount of the indebtedness represented by such Redeemable Stock shall be deemed to be that portion of the maximum amount payable that has accrued to the date on which the indebtedness of such corporation is being determined based upon a straight line amortization from date of issuance to the date redeemable at the holder's option, plus dividends payable upon redemption of the Redeemable Stock accrued to such determination date, less the amount of any cash dividends actually paid and the amount of any cash reserves set aside by such corporation for the redemption of such Redeemable Stock; and

G. Joint Venture Liabilities and Performance Bond Liabilities of such corporation but only to the extent that, on the date on which the Indebtedness of such corporation is being determined, there shall exist a reasonable probability that the obligee or obligees thereunder will demand payment or other performance by such corporation.

For the purpose of computing the "Indebtedness" of any corporation, there shall be excluded (1) any particular Indebtedness held by such corporation in its treasury (but such Indebtedness shall not be included in any computation of the assets of such corporation) or for the payment, redemption or satisfaction of which, upon or prior to the maturity thereof, there shall have been irrevocably deposited with the proper depositary in trust

the necessary funds therefor (or evidences of such Indebtedness, if permitted by the instrument creating such Indebtedness), and thereafter such funds and evidences of Indebtedness so deposited shall not be included in any computation of the assets of such corporation, provided, however, that, if such Indebtedness is to be redeemed prior to the maturity thereof, any notice of such redemption required by the terms thereof shall have been duly given or provision satisfactory to the trustee shall have been made for giving such notice and (2) Indebtedness of such corporation payable solely in shares of any class of stock of such corporation, provided, however, that such corporation at the date of the computation of its "Indebtedness" either has a sufficient number of authorized but unissued shares of such stock or has in its treasury a sufficient number of shares of such stock to make such payment and, in either case, has reserved such shares for such purpose.

"Investment" in any person shall mean any investment made by stock purchase, capital contribution, loan, advance, acquisition of Indebtedness, guaranty of any Indebtedness or creation or assumption of any other liability in respect of any Indebtedness of such person (including any liability of any kind described in Subsection A or B of the definition of "Indebtedness" in this Section), transfer or sale of property for less than payment in full in cash of the transfer or sale price or the fair value thereof (whichever is higher), or otherwise, except the following:

A. any investment in a single purpose joint venture which is engaged principally in the type of contracting business in which the Company is presently engaged, of funds for use as working capital in such joint venture;

B. any investment in any corporation which is, or simulatenously therewith becomes, a Restricted Subsidiary;

C. municipal bonds with a maturity date of not more than five years from the date of acquisition thereof and rated in the highest two categories of credit rating obtainable from either the Dun & Bradstreet office of Moody's Investors Service, Inc. or Standard & Poor's Corporation;

D. readily marketable direct obligations of, or obligations fully and unconditionally guaranteed (as to both principal and interest) by, the Government of the United States of America or Canada, or any agency of either thereof, with a maturity date not more than five years from the date of acquisition thereof;

E. open market commercial paper with a maturity date not more than one year from the date of acquisition thereof and rated in the highest two categories of credit rating obtainable from either the Dun & Bradstreet office of Moody's Investors Service, Inc. or Standard & Poor's Corporation;

F. certificates of deposit, with a maturity date not more than one year from the date of acquisition thereof, issued by The First National Bank of Fort Worth, The Bank of Nova Scotia, Bank of Montreal, or any other commercial bank or trust company organized and existing under the laws of, and having its principal office located in, the United States of America, any State thereof or the District of Columbia, and having a combined capital, surplus and undivided profits of not less than $100,000,000;

G. accounts receivable (including drafts, trade acceptances and letters of credit) owing to the Company or a Restricted Subsidiary arising from transactions in the ordinary course of their respective businesses in connection with the sale of goods or licenses or the performance of services which (i) are not more than six months overdue or have a due date within the ensuing 12 months, (ii) represent amounts retained by customers pursuant to uncompleted contracts not in default as to performance or payment, which are not yet payable but are applicable to work that has already been performed, or (iii) are due more than 12 months in the future, are owing from a customer whose account is not in arrears by more than six months and do not exceed $3,000,000 in the aggregate for the Company and all Restricted Subsidiaries;

H. investments represented by contingent liabilities which the Company or a Restricted Subsidiary is entitled to create, assume or incur, or to permit to exist, under Clause (4) of Subsection B of §9.5 hereof;

I. investments made after December 31, 1972 by the substantially concurrent issuance of shares of any class of stock of the Company, or out of the net cash proceeds received by the Company from a substantially concurrent sale of such shares, provided, however, that any proceeds so used shall not be included in any computation under §9.8 hereof;

J. Performance Bond Liabilities;

K. the cash surrender value of any life insurance policy;

L. employee expense advances not in excess of $100,000 in the aggregate for the Company and all Restricted Subsidiaries;

M. the interest of Dynalectric Company, a Restricted Subsidiary, under the Lease dated January 27, 1975 between Dynalectric Company as lessor and Mid-American Inkeepers, Inc. as lessee under which the former leased to the latter a motel in Jacksonville, Florida, for a term of 20 years; and

N. Indebtedness of Liberia Refining Company owing to the Company and The Republic National Bank of Dallas not exceeding $3,000,000 in aggregate amount, to the extent that such Indebtedness (i) is secured by a first mortgage lien on the property in

Liberia upon which the refinery owned by Liberian Refining Company is constructed, (ii) is insured against confiscation and other political risks by Lloyd's Underwriters or some other insurer agreed to by the Lender in writing, and (iii) is not in arrears by more than 90 days.

Investments shall be computed in accordance with sound accounting practice, provided, however, that, in computing the amount of any such Investment in any person:

(1) the amount of any Investment existing at December 31, 1972 shall be the amount specified for such Investment in the schedule referred to in Subsection R of §2 hereof;

(2) until and unless returned to the Company, the amount of any Investments made in cash after December 31, 1972 shall be the amount thereof and the amount of any Investments made in property after such date shall be the fair value or depreciated cost thereof at the time of making of such Investment (whichever is greater);

(3) losses and undistributed earnings of such person shall not be included;

(4) there shall not be deducted from the amounts invested in such person any amounts paid to the Company or a Restricted Subsidiary as earnings on its Investment therein, whether by way of dividends, interest or otherwise;

(5) there shall be disregarded all increases or decreases in value or write-ups, write-downs or write-offs of Investments in such person, other than write-offs of uncollectible accounts receivable owing to the Company or a Restricted Subsidiary arising in the ordinary course of their respective businesses in connection with the sale of goods or licenses or the performance of services to the extent that such accounts receivable constitute Investments and the amount thereof has been deducted from the gross revenues of the Company or such Subsidiary, as the case may be, in computing its Net Income; and

(6) the amount of a guaranty or other contingent liability in respect of any Indebtedness of any person shall be equal to the principal amount of such Indebtedness.

"Joint Venture Liabilities" of any corporation shall mean, at any date, all liabilities, obligations and Indebtedness of every nature of such

corporation on such date relating to or arising out of subcontracts, purchase orders and Indebtedness of all joint ventures in which such corporation is a participant, whether such liabilities, obligations and Indebtedness are fixed or contingent, matured or unmatured, primary or secondary, and includes liabilities, obligations and Indebtedness of such corporation on account of any of such items to any other participant in any joint venture by reason of such other participant's rights of contribution or subrogation or otherwise, and such liabilities, obligations and Indebtedness shall be determined without regard to the assets or condition, financial or otherwise, of any joint venture and the other participants therein.

"*Lender*" shall mean The Equitable Life Assurance Society of the United States, a New York corporation, and its successors and assigns.

"*Net Income*" of any corporation for any period shall mean the net income (or net deficit) of such corporation for such period, determined in the following manner:

A. The gross revenues and other proper income credits of such corporation shall be computed for such period in accordance with sound accounting practice, *excluding, however,* the following items:

(1) the proceeds of any life insurance policy;

(2) any gain arising from the sale or other disposition of any capital asset or arising from any write-up of assets;

(3) any reversal of any contingency reserve, except to the extent that provision for such contingency reserve shall have been made during such period;

(4) any reversal of any reserve for taxes, contract renegotiation, price redetermination or similar reserve, except to the extent of any excess of any such reserve over the amount ultimately determined to be due and payable;

(5) any undistributed earnings of any other person;

(6) any earnings of any other person acquired by such corporation in a pooling of interests, merger, stock or asset acquisition or otherwise for any period prior to the fiscal quarter in which such acquisition was effected;

(7) any deferred or other credit representing any excess of the equity in any Affiliate of such corporation at the date of acquisition thereof over the cost of the Investment in such Affiliate; and

(8) any earnings of, and dividends or other amounts payable to, such corporation in currencies which at the time cannot be freely converted into lawful money of the United States of America;

but in any event there may be added to the income credits for such period amounts repaid, refunded or credited to such corporation during such period on account of taxes paid or accrued in respect of income arising prior to as well as during such period.

B. From the amount of such gross revenues and other proper income credits for such period, determined as provided in the preceding *Subsection A*, there shall be deducted all operating expenses and all other proper revenue and income deductions and charges of such corporation for such period determined in accordance with sound accounting practice, exclusive of any loss from the sale, abandonment or other disposition of any capital asset; but in any event there shall be deducted the following items whether or not such items are charged or properly chargeable to income:

(1) amortization of debt discount and any other amortization of prepaid expenses, deferred charges or other intangibles;

(2) provision for all taxes, of every kind and character, *provided, however,* that, for the purposes of this Clause, taxes in respect of income shall be appropriately adjusted to reflect the effect of the exclusion of any items of income credits and deductions required or permitted to be excluded in determining Net Income hereunder;

(3) all provisions or appropriations, if any, made by such corporation for reserves for contingencies which are charged or, under sound accounting practice, should be charged to income arising during such period;

(4) provision for depreciation, depletion, obsolescence and amortization of the properties of such corporation in amounts in the aggregate not less than those actually deducted

on its books and not less than the aggregate amount claimed (but adjusted for any disallowance) or to be claimed by such corporation for Federal income tax purposes;

(5) any additional amounts required to be paid during such period on account of taxes in respect of income arising prior to such period in excess of reserves for such taxes established out of income arising prior to such period; and

(6) any additional amounts required to be paid during such period on account of contract renegotiation or price redetermination with respect to sales prior to such period in excess of reserves for such renegotiation or redetermination established out of income arising prior to such period.

"Net Tangible Assets" of any corporation shall mean, at any date, the gross book value as shown by the books of such corporation in accordance with sound accounting practice of the sum of (1) all its property, whether real, personal or mixed, located in the United States of America or Canada (exclusive of franchises, licenses, permits, patents, patent applications, copyrights, trademarks, trade names, good will, experimental and organizational expenses, unamortized debt discount and expense, deferred charges and other like intangibles and stock and Indebtedness of such corporation held in its treasury), including property constituting Current Assets of such corporation as well as the amount of its accounts receivable arising in the ordinary course of business and not delinquent, payable in lawful money of the United States of America, or in currency at the time freely convertible into lawful money of the United States, which in either case is freely transferable to the United States of America, (2) not in excess of an aggregate of $200,000 of equipment and other tangible personal property of such corporation located outside the United States of America and Canada, and (3) other assets of the Company and its Restricted Subsidiaries located outside the United States of America and Canada not exceeding 10% of Consolidated Tangible Net Worth, provided, however, that such assets are insured against confiscation and other political risks by Lloyd's Underwriters, by the Overseas Private Investment Corporation or a comparable organization of a foreign government or by some other insurer agreed to by the Lender in writing, less the sum (without duplication) of

A. all Investments of such corporation (other than Investments held to satisfy Indebtedness of such corporation of the nature specified in Subsection E of the definition of "Indebtedness"contained in this §10) and all investments of such corporation of the type described in Subsection I of the definition of "Investment" contained in this §10,

B. all reserves for depreciation, depletion, obsolescence and amortization of its properties (other than properties excluded as hereinabove provided) as shown by the books of such corporation and all other proper reserves (other than general contingency reserves and reserves representing mere appropriations of surplus) which in accordance with sound accounting practice should be set aside in connection with the business conducted by such corporation,

C. all Indebtedness and other liabilities of such corporation other than (1) Funded Debt (including any renewable or extendible Indebtedness constituting Funded Debt notwithstanding that any amount thereof is at the time included in Current Liabilities), (2) reserves which have been deducted pursuant to the preceding Subsection B, and (3) general contingency reserves and reserves representing mere appropriations of surplus, and

D. the amount of any write-up subsequent to December 31, 1972 in the book value of any asset owned by such corporation on such date resulting from the revaluation thereof subsequent to such date, or any write-up in excess of the cost of any asset acquired by such corporation subsequent to such date, other than any write-up or revaluation of the basis of an asset pursuant to Section 334(b)(2) of the Internal Revenue Code of 1954, as amended, in connection with the acquisition by such corporation of such asset in a liquidation if the amount of write-up or revaluation is based on a determination by an independent appraiser acceptable to the Lender;

provided, however, that, except as provided in Subsection D hereof, in determining Net Tangible Assets no amount shall be included therein (1) on account of any excess cost of acquisition of shares of any other corporation over the book value of the assets of such other corporation attributable to such shares at the date of acquisition of such shares, or (2) on account of any excess of the book value of the assets of any other corporation attributable to any shares of such corporation at the date of acquisition of such shares over the cost of acquisition of such shares, other than, in the determination of Net Tangible Assets of the Company, approximately $200,000 in respect of such excess value existing on the date hereof.

"Net Working Capital" of any corporation shall mean, at any date, the excess of the Current Assets of such corporation over its Current Liabilities at such date.

"Note" and *"Notes"* shall have the meanings specified in § *1* hereof.

"Note Register" shall have the meaning specified in § *12* hereof.

"Order" shall have the meaning specified in *Subsection H* of § *2* hereof.

"Outstanding" shall have the meaning specified in § *13* hereof.

"Performance Bond Liabilities" of any corporation shall mean, at any date, all obligations, liabilities and Indebtedness of every nature of such corporation on such date relating to or arising out of guaranties of work performance (including payment, performance and similar bonds and guaranties thereof) made in the ordinary course of such corporation's consolidated business, whether such liabilities, obligations and Indebtedness are fixed or contingent, matured or unmatured, primary or secondary.

"Person" shall mean an individual, a corporation, a partnership, a joint venture, a trust, an unincorporated organization or a government or any agency or political subdivision thereof.

"Redeemable Stock" of any corporation shall mean all shares of any stock of any class of such corporation which by the terms thereof is subject to redemption by such corporation, at the option of the holder or holders thereof at any time in the future, whether or not the holder's or holders' right to require such redemption depends on the happening of a contingency or other future event and whether or not such contingency or event shall have occurred, and shall include the Company's Series A Convertible Preferred Stock, par value $.10 per share, and Series B Convertible Preferred Stock par value $.10 per share, outstanding on the date hereof, *provided, however,* that if the holder's or holders' right to require such redemption shall have terminated without being exercised, such stock thereupon shall cease to be *"Redeemable Stock"*.

"Report" shall have the meaning specified in *Subsection C* of § *2* hereof.

"Restricted Payment" shall mean

A. any dividend or other distribution, direct or indirect, on account of any shares of stock of any class of the Company now or hereafter outstanding (including Redeemable Stock), except a dividend payable solely in shares of stock of the Company;

B. any payment (whether or not pursuant to a prior commitment which when made was permitted by § *9.8* hereof) on account of, or any commitment to make any payment on account of, the purchase, redemption, or other acquisition of any shares of stock of any class of the Company now or hereafter outstanding (including Redeemable Stock), or of any warrants, rights or options to acquire any such shares, or any other distribution made in respect thereof, either directly or indirectly, and whether in cash or property or in obligations of the Company; and

C. any payment, direct or indirect, of or on account of any principal of or prepayment charge on, or any purchase, redemption, retirement or other acquisition, direct or indirect, of, any of the Company's Subordinated Funded Debt;

provided, however, that neither (i) the issuance of any shares of stock of any class of the Company, now or hereafter outstanding, upon conversion of Subordinated Funded Debt or any other convertible security of the Company nor (ii) the issuer's commitment to effect the redemption of any shares of Redeemable Stock at the option of the holder thereof or such redemption shall be deemed to be a Restricted Payment.

The amount of any Restricted Payment in property of the Company shall be deemed to be the fair value of such property (as determined by the Board) or the net book value of such property on the Company's books (determined in accordance with sound accounting practice) on the Computation Date (as defined in § *9.8* hereof), whichever is the greater.

"Senior Funded Debt" shall mean all Funded Debt of the Company other than Subordinated Funded Debt, and all Funded Debt of Restricted Subsidiaries, and shall include guaranties and indorsements of obligations for borrowed money of others.

"Short-Term Borrowings" of any corporation shall mean all Indebtedness of such corporation in respect of borrowed money maturing on demand or within one year after the date as of which such Indebtedness was created, but shall exclude: (a) current maturities of Funded Debt; and (b) Indebtedness which, pursuant to the terms of a revolving credit agreement or otherwise, is directly or indirectly renewable or extendible at the option of such corporation for a period ending more than one year after the date of the creation thereof.

"Stock" shall include any and all shares, interests, participations or other equivalents (however designated) of corporate stock, including Redeemable Stock.

"Subordinated Funded Debt" shall mean the Company's 6⅞% Convertible Subordinated Notes due 1988 and all other unsecured Funded Debt of the Company which (1) has a final maturity after May 15, 1988, (2) has a Weighted Average Life to Maturity on the date of its creation at least as long as the then remaining Weighted Average Life to Maturity of the Notes then outstanding, (3) is not subject to required payment during any calendar year prior to 1977, by means of installment, serial maturity, sinking fund or other similar mandatory payments, and is not subject to any such required payments in 1977 and all subsequent calendar years prior to 1989 in amounts which on a cumulative basis would exceed an annual rate of 10% of the maximum principal amount of such Funded Debt theretofore outstanding, and (4) is created under or evidenced by an instrument containing provisions for the subordination of such Funded Debt (to which appropriate references shall be made in the instrument evidencing such Funded Debt, if not contained therein) to the Notes and (if desired by the Company and so provided) to other Indebtedness of the Company for borrowed money substantially as follows:

> "Anything herein to the contrary notwithstanding, the indebtedness evidenced by [*here insert description of instrument evidencing such Funded Debt*] (such indebtedness being hereinafter sometimes called *'this Subordinated Note'*) shall be subordinate and junior in right of payment, to the extent and in the manner hereinafter set forth, to all indebtedness of the Company evidenced by its promissory notes from time to time outstanding (whether outstanding at the date of this Subordinated Note or issued after the date of this Subordinated Note) under a certain Loan Agreement, dated as of December 26, 1973, between the Company and The Equitable Life Assurance Society of the United States (as such Loan Agreement and such promissory notes may at any time and from time to time be modified or amended in any respect) and [*here insert description of all other indebtedness of the Company for borrowed money, if any, to which this Subordinated Note is subordinate*] (all such indebtedness to which this Subordinated Note is subordinate as aforesaid being hereinafter sometimes called *'Superior Indebtedness'*):

"(1) In the event of any insolvency or bankruptcy proceedings, or any receivership, liquidation, reorganization or other similar proceedings in connection therewith, relative to the Company or to its creditors, as such, or to its property, or in the event of any proceedings for voluntary liquidation, dissolution or other winding up of the Company, whether or not involving insolvency or bankruptcy, then the holders of Superior Indebtedness shall be entitled to receive payment in full in cash of the principal of and the premium (if any) and interest on all Superior Indebtedness before the holder of this Subordinated Note is entitled to receive any payment, direct or indirect, of or on account of the principal of or the premium (if any) or interest on this Subordinated Note, and to that end the holders of Superior Indebtedness (until payment in full in cash of the principal of and the premium (if any) and interest on all Superior Indebtedness) shall be entitled to receive, for application in payment thereof, any payment or distribution of any kind or character, whether in cash, securities or other property, which may be payable or deliverable in any such proceedings in respect of this Subordinated Note, including any such payment or distribution which may be payable or deliverable by virtue of any security for, or by virtue of the provisions of (or any security for) any securities which are subordinate and junior in right of payment to, this Subordinated Note;

"(2) No direct or indirect payment of or on account of any principal of or premium (if any) or interest on this Subordinated Note shall be made if, at the time of such payment or immediately after giving effect thereto, (a) there shall exist a default in the payment of any principal of or premium (if any) or interest on any Superior Indebtedness, or (b) there shall have occurred any condition or event (other than a default in the payment of principal, premium (if any) or interest) which constitutes an event of default with respect to any Superior Indebtedness, as defined in the instrument evidencing the same or under which the same is outstanding, causing the same, or permitting the holders thereof to cause the same, to become due and payable before its expressed maturity, and such event of default shall not have been cured

or waived; *provided* that the existence of any condition or event described in the foregoing *Subclause* (*b*) shall not prohibit any payment of the principal of or premium (if any) or interest on this Subordinated Note (under circumstances when the provisions of the foregoing *Clause* (*1*) shall not be applicable) if, at the time of such payment, (i) 90 days shall have elapsed following the date on which the Company shall have given written notice of the occurrence of such condition or event to the holders of all Superior Indebtedness at the time outstanding, (ii) no Superior Indebtedness shall have become or been declared due and payable before its expressed maturity because of the occurrence of such condition or event, and (iii) no judicial proceedings shall be pending for the enforcement of any remedy available at law or in equity in respect of such condition or event; and

"(3) In the event that, notwithstanding the foregoing provisions, any payment or distribution shall be received by the holder of this Subordinated Note which, in accordance with the foregoing provisions was required to be paid or distributed to the holders of Superior Indebtedness, such payment or distribution shall be held in trust for and paid over or delivered to the holders of Superior Indebtedness, as their respective interests may appear, for application to the payment of all Superior Indebtedness remaining unpaid to the extent necessary to pay in full in cash the principal of and the premium (if any) and interest on such Superior Indebtedness in accordance with its terms, after giving effect to any concurrent payment or distribution to the holders of such Superior Indebtedness.

"No present or future holder of Superior Indebtedness shall be prejudiced in his right to enforce subordination of this Subordinated Note by any act or failure to act on the part of the Company. The provisions of this Section are solely for the purpose of defining the relative rights of the holders of Superior Indebtedness, on the one hand, and the holder of this Subordinated Note, on the other hand, and nothing herein shall impair, as between the Company and the holder of this Subordinated Note, the obligation of the Company, which is unconditional and

absolute, to pay to the holder hereof the principal and interest hereon in accordance with its terms, nor shall anything herein prevent the holder of this Subordinated Note from exercising all remedies otherwise permitted by applicable law or hereunder upon default hereunder, subject to the rights, if any, under this Section of holders of Superior Indebtedness to receive cash, securities or other property otherwise payable or deliverable to the holder of this Subordinated Note.

"The Company agrees, for the benefit of the holders of Superior Indebtedness, that in the event that all or any part of the principal of this Subordinated Note becomes or is declared due and payable before its expressed maturity because of the occurrence of an event of default hereunder, (a) the Company will forthwith give notice in writing of such happening to the holders of all Superior Indebtedness at the time outstanding, and (b) any such Superior Indebtedness shall, upon demand of the holders thereof, forthwith become due and payable regardless of the expressed maturity thereof.

"The foregoing subordination provisions shall be for the benefit of all holders of Superior Indebtedness from time to time outstanding, and each of such holders may proceed to enforce such provisions either directly against the holder of this Subordinated Note or in any other manner provided by law. As used herein, the term *'holders'* of any indebtedness shall include any trustee for, or other authorized representative of, the holders of such indebtedness."

"Subordinated Note Agreement" shall have the meaning specified in *Subsection V* of § *2* hereof.

"Subsidiary" shall mean any corporation at least a majority of whose outstanding voting stock shall at the time be owned by the Company or by one or more Subsidiaries or by the Company and one or more Subsidiaries; and, in particular,

A. *"Unrestricted Subsidiary"* shall mean (1) any Subsidiary the accounts of which need not be consolidated with those of the Company in accordance with sound accounting practice, (2) any Subsidiary the greater part of the operating assets of which are located, or the principal business of which is carried on, or which is

incorporated or organized, outside of the United States of America and Canada, (3) any Subsidiary which is specified in *Exhibit B* hereto as an Unrestricted Subsidiary, or (4) any Subsidiary which was incorporated or organized within the United States of America or Canada after July 15, 1973 or any corporation incorporated or organized within the United States of America or Canada which became a Subsidiary after July 15, 1973 and which was designated at the time it was incorporated or organized or became a Subsidiary by the Company as an Unrestricted Subsidiary; *provided, however,* that the Board may, on 60 days' written notice to the holders of the Notes, designate any Unrestricted Subsidiary, the greater part of the operating assets of which are located, the principal business of which is carried on, and which is incorporated or organized, within the United States of America or Canada, as a Restricted Subsidiary if, immediately thereafter, the Company shall not be in default hereunder and after giving effect to such action the Company could incur at least $1 of additional unsecured Senior Funded Debt pursuant to the provisions of § *9.5A(3)* hereof;

B. "Restricted Subsidiary" shall mean (1) any Subsidiary other than an Unrestricted Subsidiary, (2) any Subsidiary which is specified in Exhibit B hereto as a Restricted Subsidiary and (3) effective May 15, 1975, Hydrocarbon Realty, Inc., a Nevada corporation; provided, however, that any Subsidiary which at any time is a Restricted Subsidiary hereunder shall be deemed to be a Restricted Subsidiary at all times thereafter for all purposes of this Agreement as long as it is a Subsidiary notwithstanding that it otherwise might be an Unrestricted Subsidiary within the meaning of any provision of this definition;

C. *"Wholly-owned Restricted Subsidiary"* shall mean any Restricted Subsidiary all of whose outstanding capital stock of every class, other than directors' qualifying shares, shall at the time be owned by the Company or by one or more Wholly-owned Restricted Subsidiaries or by the Company and one or more Wholly-owned Restricted Subsidiaries; and

D. *"Domestic Subsidiary"* shall mean (1) any Restricted Subsidiary and (2) any Unrestricted Subsidiary the greater part of the operating assets of which are located, or the principal business of which is carried on, or which is incorporated or organized, within the United States of America or Canada.

"Tangible Net Worth" of any corporation, at any date, shall mean

A. the amount of the capital stock liability of such corporation, plus (or minus in the case of a deficit) the amount of the capital surplus and earned surplus of such corporation on such date (including general contingency reserves and reserves representing mere appropriations of surplus), less

B. the net book value on such date, after deducting any reserves applicable thereto, of franchises, licenses, permits, patents, patent applications, copyrights, trademarks, trade names, good will, experimental or organization expenses, unamortized debt discount and expense, deferred charges, and other like intangibles (including any amounts excluded from the definition of *"Net Tangible Assets"* pursuant to the *proviso* of the end thereof), and stock and Indebtedness of such corporation held in its treasury,

all determined in accordance with sound accounting practice, *provided, however,* that, in computing the amounts of capital stock liability, capital surplus and earned surplus of such corporation under *Subsection A* of this definition, write-ups of assets after December 31, 1972 on its books shall be disregarded except as provided in *Subsection D* of the definition of *"Net Tangible Assets"* contained in this § *10.*

"This Agreement" shall mean, and the words *"herein", "hereof", "hereunder"* and words of similar import shall refer to, this instrument as it may from time to time be amended.

"United States of America" means and includes any State of the United States, the District of Columbia, Puerto Rico, the Canal Zone, the United States Virgin Islands, or any other possession of the United States.

"Voting stock", as applied to the stock of any corporation, shall mean stock of any class or classes (however designated) having ordinary voting power for the election of at least a majority of the members of the board of directors (or other governing body) of such corporation, other than stock having such power only by reason of the happening of a contingency.

"Weighted Average Life to Maturity" of any Indebtedness or obligation shall mean, at any date, the number of years obtained by dividing the then Remaining Dollar-years of such Indebtedness or obligation by the then outstanding principal amount of such Indebted-

ness or obligation. For purposes of this definition, the *"Remaining Dollar-years"* of any Indebtedness or obligation shall mean, at any date, the total of the products obtained by multiplying (1) the amount of each then remaining installment, sinking fund, serial maturity or other required payment, including payment at final maturity, in respect thereof, by (2) the number of years (calculated to the nearest one-twelfth) which will elapse between such date and the making of such payment.

Other Accounting Terms. Except as otherwise specifically provided herein, all accounting terms used herein shall have the meanings customarily given thereto in accordance with sound accounting practice.

§ 11. **Remedies.**

§ 11.1. *Events of Default; Acceleration of Maturity.* If any one or more of the following events (herein called *"Events of Default"*) shall have occurred and be continuing, that is to say:

A. if default shall be made in the due and punctual payment of all or any part of the principal of, or prepayment charge (if any) on, any Note when and as the same shall become due and payable, whether at the maturity thereof, by acceleration, by notice of prepayment or otherwise;

B. if default shall be made in the due and punctual payment of any interest on any Note when and as such interest shall become due and payable, and such default shall have continued for a period of five days;

C. if default shall be made in the performance or observance of any covenant, agreement or condition contained in *Subsection G* of § *6* hereof or §§ *9.5* to *9.16,* inclusive, hereof and such default shall have continued for a period of 15 days;

D. if default shall be made in the performance or observance of any other of the covenants, agreements or conditions contained in this Agreement and such default shall have continued for a period of 30 days after written notice thereof to the Company by the holder of any Note;

E. if the Company or any Restricted Subsidiary shall fail to pay any principal of or prepayment charge, if any, or interest on any Indebtedness for borrowed money (other than the Notes) or any amount payable in respect of any Capitalized Lease or shall fail to perform or observe any provision contained in any agreement

evidencing, securing or relating thereto and the effect of such failure is to cause, or permit the holder thereof or a trustee to cause, such Indebtedness or any part thereof to become due prior to its expressed maturity;

F. if the Company or any Restricted Subsidiary shall

(1) admit in writing its inability to pay its debts generally as they become due,

(2) file a petition in bankruptcy or a petition to take advantage of any insolvency act,

(3) make an assignment for the benefit of its creditors,

(4) consent to the appointment of a receiver of itself or of the whole or any substantial part of its property,

(5) file a petition or answer seeking reorganization or arrangement under the Federal bankruptcy laws or any other applicable law or statute of the United States of America or any other jurisdiction, or

(6) on a petition in bankruptcy filed against it, be adjudicated a bankrupt;

G. if a court of competent jurisdiction shall enter an order, judgment or decree appointing, without the consent of the Company or any Restricted Subsidiary, as the case may be, a receiver of the Company or such Subsidiary or of the whole or any substantial part of its property, or approving a petition filed against it seeking reorganization or arrangement of the Company or such Subsidiary under the Federal bankruptcy laws or any other applicable law or statute of the United States of America or any other jurisdiction, and such order, judgment or decree shall not be vacated or set aside or stayed within 60 days from the date of the entry thereof;

H. if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Company or of any Restricted Subsidiary or of the whole or any substantial part of its property and such custody or control shall not be terminated or stayed within 60 days from the date of assumption of such custody or control;

I. if final judgment for the payment of money in excess of $25,000 shall be rendered by a court of record against the Company

or any Restricted Subsidiary and the Company or such Subsidiary, as the case may be, shall not discharge the same or provide for its discharge in accordance with its terms, or procure a stay of execution thereof within 60 days from the date of entry thereof and within said period of 60 days, or such longer period during which execution of such judgment shall have been stayed, move to vacate such judgment or appeal therefrom and cause the execution thereof to be stayed pending determination of such motion or during such appeal; or

J. if any material representation or warranty made by the Company herein or in any certificate or other instrument delivered under or pursuant to any provision hereof shall prove to have been false or incorrect in any material respect on the date as of which made, or shall have been breached, as the case may be;

then, at the option of the registered holder of any Note, exercised by written notice to the Company, the principal of such Note, together with the interest accrued thereon, and, to the extent permitted by law, any amount equal to the prepayment charge, if any, that would be payable at the date of such declaration if the Company had elected to prepay such Note in full on such date pursuant to § *8.1B* hereof, shall forthwith become and be due and payable.

§ 11.2. *Suits for Enforcement.* In case any one or more of the Events of Default specified in § *11.1* hereof shall have occurred and be continuing, the Lender or the registered holder of any Note may proceed to protect and enforce its or such holder's rights either by suit in equity or by action at law, or both, whether for the specific performance of any covenant or agreement contained in this Agreement or in aid of the exercise of any power granted in this Agreement, or the Lender or such holder may proceed to enforce the payment of such Note or to enforce any other legal or equitable right of the Lender or such holder.

The Company covenants that, if it shall default in the payment of principal of, or interest or prepayment charge on, any Note, it will pay to the holder thereof such further amounts, to the extent lawful, as shall be sufficient to pay the costs and expenses of collection, including reasonable counsel fees.

§ 11.3. *Remedies Cumulative.* No remedy herein conferred upon the Lender or the holder of any Note is intended to be exclusive of any

other remedy and each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute or otherwise.

§ 11.4. *Remedies Not Waived.* No course of dealing between the Company and the Lender or the holder of any Note or any delay in exercising any rights hereunder or under any Note shall operate as a waiver of any rights of the Lender or any holder of such Note.

§ 12. **Registration, Transfer and Exchange of Notes.** The Company shall keep at its principal executive office a register (herein called the *"Note Register"*), in which, subject to such reasonable regulations as it may prescribe, but at its expense (other than transfer taxes, if any), the Company shall provide for the registration and transfers of Notes.

Whenever any Note or Notes shall be surrendered either at the principal executive office of the Company, or at an office or agency which the Company shall maintain for the purpose in the Borough of Manhattan, City and State of New York, for transfer or exchange, accompanied (if so required by the Company) by a written instrument of transfer in form satisfactory to the Company duly executed by the holder thereof or such holder's attorney duly authorized in writing, the Company shall execute and deliver in exchange therefor a new printed Note or Notes, as may be requested by such holder, in the same aggregate unpaid principal amount and payable in installments in the same aggregate amounts on the same dates as the aggregate unpaid principal amount and unpaid installments of the Note or Notes so surrendered; *provided, however,* that any transfer tax relating to such transaction shall be paid by the holder requesting the exchange. Each such new Note shall be dated as of the date to which interest has been paid on the unpaid principal amount of the Note or Notes so surrendered and shall be in such principal amount and registered in such name or names as such holder may designate in writing. Each installment of principal payable at each installment payment date upon each such new Note shall be in the same proportion to the unpaid principal amount of such new Note as the aggregate installment of principal payable on such date on the Note or Notes surrendered for exchange bore to the aggregate unpaid principal amount of such Note or Notes. No reference need be made in any such new Note to any installment or installments of principal previously due and paid upon the Note or Notes surrendered

for exchange. In the event that a sale, lease or other disposition governed by § *9.14* hereof shall have occurred, each such new Note shall bear a legend as provided in § *9.14B* hereof. Fifteen days' prior written notice of the holder's intention to make any exchange pursuant to this Section shall be given to the Company.

The Company and any agent of the Company may treat the person in whose name any Note is registered as the holder and owner of such Note for the purpose of receiving payment of the principal of (and prepayment charge, if any) and interest on, such Note and for all other purposes whatsoever, whether or not such Note be overdue, and neither the Company nor any such agent shall be affected by notice to the contrary.

§ 13. **Lost, etc., Notes.** Upon receipt by the Company of evidence satisfactory to it of the loss, theft, destruction or mutilation of any Note, and (in case of loss, theft or destruction) of indemnity satisfactory to it, and upon reimbursement to the Company of all reasonable expenses incidental thereto, and upon surrender and cancellation of such Note, if mutilated, the Company will make and deliver in lieu of such Note a new Note of like tenor, except that no reference need be made in such new Note to any installment or installments of principal previously due and paid upon the Note in lieu of which such new Note is made and delivered. Any Note made and delivered in accordance with the provisions of this Section shall be dated as of the date to which interest has been paid on the unpaid principal amount of the Note in lieu of which such new Note is made and delivered. In the event that a sale, lease or other disposition governed by § *9.14* hereof shall have occurred, each such new Note shall bear a legend as provided in § *9.14B* hereof. The term "*outstanding*" when used in this Agreement with reference to the Notes as of any particular time shall not include any Note in lieu of which a new Note has been made and delivered by the Company in accordance with the provisions of this Section, so long as any Notes are outstanding other than Notes in lieu of which new Notes have been so made and delivered. The indemnity agreement of the Lender shall constitute indemnity satisfactory to the Company for the purposes of this Section.

§ 14. **Amendment and Waiver.** Any term, covenant, agreement or condition contained in §§ *2* to *5*, inclusive, hereof, and any term, covenant, agreement or condition contained elsewhere in this Agreement

which is expressly for the benefit of the Lender only, may, with the consent of the Company, be amended, or compliance therewith may be waived (either generally or in a particular instance and either retroactively or prospectively), by a written instrument signed by the Lender, whether or not any of the Notes shall at the time be outstanding and whether or not all or any part of such Notes shall at the time be held by the Lender.

Any other term, covenant, agreement or condition of this Agreement or of the Notes may, with the consent of the Company, be amended, or compliance therewith may be waived (either generally or in a particular instance and either retroactively or prospectively), by one or more substantially concurrent written instruments signed by the registered holder or holders of at least 66⅔% in aggregate principal amount of all Notes at the time outstanding or, if no Notes are then outstanding, by the Lender; *provided, however,* that

A. no such amendment or waiver shall

(1) extend the fixed maturity or reduce the amount of the principal of any of the Notes or change the amounts or dates of payments of the installments of principal due upon any of the Notes or reduce the rate or extend the time of payment of interest on any of the Notes, or modify any of the provisions of this Agreement or of the Notes with respect to the payment or prepayment thereof, without the consent of the holder of each Note so affected, or

(2) reduce the percentage of holders of Notes required to approve any such amendment or effecutate any such waiver, without the consent of the holders of all the Notes then outstanding; and

B. no such waiver shall extend to or affect any obligation not expressly waived or impair any right consequent thereon.

Any amendment or waiver pursuant to this Section shall apply equally to all the holders of the Notes and shall be binding upon them, upon each future holder of any Note and upon the Company. In the case of an amendment or waiver of the character described in *Subsection A* above, a notation shall be made on each outstanding Note, the holder of which has consented to such amendment or waiver, to indicate that such amendment or waiver has been effected, and no such

amendment or waiver shall become effective with respect to any Note until such notation shall have been made on such Note. In the case of any other amendment or waiver, no notation need be made on the Notes at the time outstanding.

§ 15. **Method of Payment of Notes Held by the Lender or Other Institutional Investor.** Irrespective of any provision hereof or of the Notes to the contrary, so long as the Lender shall hold any of the Notes the Company agrees that it will make all payments of principal of, or interest or prepayment charge on, the Note or Notes held by the Lender to the Lender by the method and at the most recent address for such purpose as provided in or pursuant to § *18* hereof. The Lender agrees that prior to disposing of any Note it will make appropriate endorsements thereon as to all payments on account of principal thereof and interest thereon. If and so long as any other institutional investor shall hold at least 15% in aggregate principal amount of the Notes, the Company will, upon the written request of such holder, make all such payments on account of the Notes held by such holder to it at such address as such holder shall furnish to the Company in writing for such purpose, *provided, however,* that in such request such holder shall agree to make endorsements on such Notes as above provided in respect of the Lender.

§ 16. **Non-enforcement for Others.** Neither this Agreement nor any disposition of any of the Notes shall be deemed to create any liability or obligation of the Lender or any other holder of any Note to enforce any provision hereof or of any of the Notes for the benefit or on behalf of any other person who may be the holder of any Note.

§ 17. **Taxes.** The Company agrees that it will pay all taxes (including interest and penalties) which may be payable in respect of the execution and delivery of this Agreement or in respect of the execution and delivery (but not the transfer) of any of the Notes or in respect of any amendment of, or waiver or consent under or with respect to, this Agreement or any of the Notes and any tax (including interest and penalties) which may be imposed under the United States Interest Equalization Tax Act, 26 U.S.C.A. § 4911 *et seq.*, or any similar statute, and will save the Lender and all subsequent holders of the Notes harmless against any loss or liability resulting from non-payment or delay in payment of any such tax. The obligation of the Company under this Section shall survive the payment of the Notes.

§ 18. **Communications.** All communications provided for herein shall be delivered or mailed by registered mail, postage prepaid, addressed as follows:

A. If to the Company, at

2233 Wisconsin Avenue, N.W.
Washington, D. C. 20007
Attention: Treasurer.

B. If to the Lender:

(1) All payments on account of the Notes in accordance with the provisions thereof and of § *15* hereof shall be made by bank wire transfer to the account of the Lender, No. 037-1-000233, in The Chase Manhattan Bank (N.A.), 110 West 52nd Street, New York, New York 10019, with instructions to give advice of payment by telephone to Banking Division of Treasurer's Department of The Equitable Life Assurance Society of the United States in New York, N. Y.

(2) All notices in respect of payments shall be delivered or mailed to the Lender at

1285 Avenue of the Americas
New York, New York 10019
Attention: Treasurer's Department,
Securities Custody Division.

(3) All other communications shall be delivered or mailed to the Lender at

1285 Avenue of the Americas
New York, New York 10019
Attention: Bond Investment Department.

C. If to any other person who is the registered holder of an outstanding Note, at the address for the purpose of such holder as it appears on the Note Register.

The address for any purpose hereof of the Company may be changed at any time and from time to time and shall be the most recent such address furnished in writing by the Company to the Lender and to each other person who is the registered holder of any outstanding Note. The address for any purpose hereof of the Lender or of any other

person who is the registered holder of any outstanding Note may be changed at any time and from time to time and shall be the most recent such address furnished in writing by the Lender or by such other person, as the case may be, to the Company.

§ 19. **Successors and Assigns.** This Agreement shall bind and inure to the benefit of and be enforceable by the Company and the Lender, and the respective successors and assigns of the Company and the Lender, and, in addition, shall inure to the benefit of and be enforceable by each person who shall from time to time be a holder of any of the Notes; except that, in the case of a successor to the Company by consolidation or merger or a transfer of its assets, this Agreement shall inure to the benefit of such successor or transferee only if it becomes such in accordance with § *9.14* hereof and except that the benefits of § *6*, § *7* and § *15* hereof shall be limited as specifically provided therein.

§ 20. **New York Contract.** The Notes and this Agreement and all amendments, supplements and waivers and consents relating thereto shall be governed by and construed in accordance with the laws of the State of New York.

§ 21. **Counterparts.** The Agreement may be executed in one or more counterparts, all of which together shall constitute one and the same instrument.

In Witness Whereof, the Company and the Lender have caused this Agreement to be duly executed and all persons who shall from time to time be registered holders of any of the Notes shall without further action become parties hereto, so as to be entitled as such to enforce the provisions and enjoy the benefits hereof, upon their acceptance of any Note.

Dynalectron Corporation

By M. F. Richards
Sr. Vice President

The Equitable Life Assurance
Society of the United States

By R. C. McCron
Vice President and Treasurer

EXHIBIT A

DYNALECTRON CORPORATION

Senior Promissory Note

No._____

$_____ New York, N.Y., _____, 19__

DYNALECTRON CORPORATION, a Delaware corporation (hereinafter called "the Company"), for value received, hereby promises to pay to _____, or registered assigns, the principal sum of _____DOLLARS, in installments of $_____(1)_____ on May 15 in each of the years 1977 through 1979, inclusive, $_____(2)_____ on May 15 in each of the years 1980 through 1983, inclusive, $_____(3)_____ on May 15 in each of the years 1984 through 1986, inclusive, $_____(4)_____ on May 15, 1987 and, on May 15, 1988, an amount equal to the principal sum then unpaid, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts, upon presentation hereof for notation hereon of such payment or upon surrender hereof on payment in full at the principal office of The Chase Manhattan Bank (N.A.), in the Borough of Manhattan, City and State of New York, and to pay interest (computed on the basis of a 360-day year of twelve 30-day months) on the unpaid principal hereof from the date hereof at the rate of 8 1/4% per annum for the period to and including September 14, 1976 and at the rate of 8 1/2% per annum thereafter, in like coin or currency, upon presentation hereof for notation hereon of such payment at said office, semi-annually on May 15 and November 15 in each year, until such principal sum shall have become due and payable in installments or otherwise, and to pay interest at the rate of 9 1/4% per annum for the period to and including September 14, 1976 and at the rate of 9 1/2% per annum thereafter on any overdue principal and prepayment charge (if any) and (to the extent permitted by applicable law) on any overdue interest, from the due date thereof, until the obligation of the Company with respect to the payment thereof shall be discharged.

(1) Insert 5% of the original principal amount of the Note.
(2) Insert 7 1/2% of the original principal amount of the Note.
(3) Insert 10% of the original principal amount of the Note
(4) Insert 12 1/2% of the original principal amount of the Note.

This Note arises out of a Loan Agreement dated as of December 26, 1973 between the Company and The Equitable Life Assurance Society of the United States and all other persons who may from time to time hold this or any other Note arising out of said Loan Agreement and who, as provided therein, by acceptance of any such Note become parties to said Loan Agreement, as the same may theretofore have been amended in accordance therewith; so as to be entitled as such to enforce and enjoy the benefits of the provisions thereof at the time applicable to such holders.

As more fully set forth in said Loan Agreement, this Note may be prepaid in whole or in part by the Company upon the giving of notice to the holder hereof and upon compliance with other conditions as therein provided, and the maturity hereof may be accelerated by the holder hereof following an Event of Default as therein defined. Said Loan Agreement provides that a copy thereof and of all amendments and waivers in respect thereof may be inspected by the holder of this Note, or any prospective purchaser hereof designated by the holder hereof, at the principal executive office of the Company and either at the office of The Chase Manhattan Bank (N.A.), at which this Note is payable, or at an office or agency of the Company in the Borough of Manhattan, City and State of New York.

This Note is transferable on the Note Register of the Company upon surrender of this Note for transfer at the principal executive office of the Company or at an office or agency maintained for the purpose in the Borough of Manhattan, City and State of New York, accompanied by a written instrument of transfer in form satisfactory to the Company duly executed by the holder hereof or such holder's attorney duly authorized in writing, and thereupon one or more new Notes, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees. As provided in said Loan Agreement, Notes are exchangeable for a like aggregate principal amount of Notes of a different denomination, as requested by the holder surrendering the same.

The Company and any agent of the Company may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not this Note be overdue, and neither the Company nor any such agent shall be affected by notice to the contrary.

DYNALECTRON CORPORATION

By_____
President/Vice President

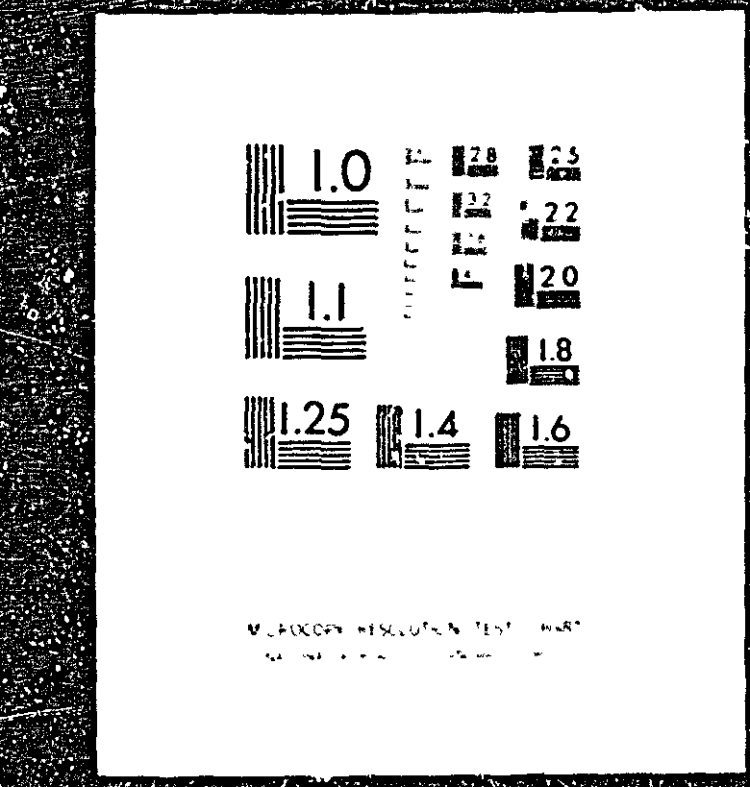
and

_____
Treasurer/Assistant Treasurer

INTEREST PAYMENTS

The interest installments payable on this Note on the dates below specified have been paid.

Due Date of Interest Installment	Notation Made By:	Due Date of Interest Installment	Notation Made By:



DISCLOSURE™

THIS STATEMENT WAS FILMED WITH THIS DOCUMENT. IF THE PAGES OF THE DOCUMENT ARE LESS CLEAR THAN THIS STATEMENT IT IS DUE TO THE POOR PHOTOGRAPHIC QUALITY OF THE DOCUMENT.

PAYMENTS ON ACCOUNT OF PRINCIPAL

The regular installments and the prepayments of this Note which became due on the dates below specified have been paid.

(Indicate below whether regular installment or prepayment)	Due Date	Amount Paid	Balance of Principal Unpaid	Notation Made By:
Regular Installment / Prepayment				
Regular Installment / Prepayment				
Regular Installment / Prepayment				
Regular Installment / Prepayment				
Regular Installment / Prepayment				
Regular Installment / Prepayment				
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Regular Installment / Prepayment				

EXHIBIT B

SUBSIDIARIES OF DYNALECTRON CORPORATION

As at December 26, 1973

Name of Subsidiary	Jurisdiction of Incorporation	Classes of Shares			
		Description	Authorized	Outstanding	Owned*
Restricted Subsidiaries:					
A & A Electric Co., Inc.	Colorado	Common Stock	50,000	50,000	
Air Carrier Service Corporation	Delaware	Common Stock	10,000	2,500	
Airtech Service, Inc.	Florida	Common Stock	9	9	
Dynalectric Company	Florida	Common Stock	7,500	500	
Electric Utility Construction, Inc.	Kentucky	Common Stock	500	125	
Frazier Electrical Construction, Inc.	Kentucky	Common Stock	1,000	100	(1)
Gibson Electric, Inc.	Georgia	Common Stock	3,000	500	
Gibson & Gibson International, Inc.	Georgia	Common Stock	50,000	1,000	(2)
Greater Cincinnati Air Service, Inc.	Kentucky	Common Stock	3,000	1,450	(3)
Griffin Electric Company (The)	Kentucky	Common Stock	300	79	
Gulf Telephone & Electronics, Inc.	Texas	Common Stock	500,000	1,000	
H.M.S. Electric Corporation	Maryland	Common Stock	5,000	800	
HRI Technical Services, Inc.	Delaware	Common Stock	1,000	1,000	
Hart Electric, Inc.	Florida	Common Stock	10	10	(4)
Hydrocarbon Research, Inc.	New Jersey	Common Stock A Common Stock B	100,000 50,000	36,000 7,380	
Seeger Electric Co.	Delaware	Common Stock	1,000	1	
Servair Aircraft Services, Inc.	Michigan	Common Stock	1,000	1,000	(5)
Servair Inc.	Delaware	Common Stock	2,000	100	
Servair Maintenance, Inc.	New York	Common Stock	1,000	1,000	(5)
Servair of California, Inc.	California	Common Stock	1,000	1,000	(5)
State Electric Company Limited (The)	Ontario, Can.	Common Stock Preferred Shares	5,000 35,000	126 2,000	
Vegas Valley Electric, Inc.	Nevada	Common Stock	25,000	166⅔	
Unrestricted Subsidiaries:					
Aircar Importacao e Exportacao Ltda.	Brazil	Limited ptshp Shares	89,872	89,872	
Aviacao Natividade Limitada	Brazil	Limited ptshp Shares	6,000	6,000	(6)
Continental Honduras, Inc.	Delaware	Common Stock	1,000	100	(7)
Dynalectron International, Inc.	Delaware	Common Stock	1,000	250	
Dytel Limited	Bahama Is.	Common Stock	10,000	360	(8)
Hydrocarbon Realty, Inc.	Nevada	Common Stock	2,500	25	
Puteaux Realty, SCI	France	Common Stock	100	100	(9)
Transigas S.A.C.I.M.	Argentina	Shares	150,000	30,000	
Compania de Hidrocarburos	Argentina	Shares	5,600,000	1,120,000	(10)
Liz-Air Comercial e Importadora Ltda.	Brazil	Limited ptshp Shares	50,000	50,000	(11)

(1) Owned 100% by Electric Utility Construction, Inc.
(2) Owned 100% by Gibson Electric, Inc.
(3) Owned 100% by Servair of California, Inc. Liquidation of Greater Cincinnati into Servair of California, Inc. pending.
(4) Owned 100% by Dynalectric Company. Liquidation of Hart Electric into Dynalectric Company pending.
(5) Owned 100% by Servair Inc.
(6) Owned 100% by Aircar Importacao e Exportacao Ltda. into which Aviacao Natividade Limitada is in the process of being merged.
(7) Owned ⅓ Dynalectron Corporation; ⅓ Gibson Electric Inc.; ⅓ The Griffin Electric Company.
(8) Merger of Dytel Limited into Transigas S.A.C.I.M. pending.
(9) Owned 99% by Hydrocarbon Realty, Inc.; 1% by Dynalectron Corporation—in process of being sold.
(10) Owned 100% by Hydrocarbon Research, Inc.
(11) In process of organization: to be owned ⅓ by Dynalectron Corporation.

* Owned by Dynalectron Corporation, directly or through nominee(s), unless otherwise specified.

EXHIBIT C

DYNALECTRON CORPORATION AND SUBSIDIARIES

1. *Summary Description of Changes in Business, Operations and Properties of the Company and its Subsidiaries Since December 31, 1972.*

Reference is made to (i) other exhibits to the Agreement, (ii) the September 27, 1973 Financial Statements referred to in §*2D* of the Agreement and related footnotes, (iii) the quarterly reports to stockholders for the first three quarters of 1973, (iv) SEC Form 8-K reports for the months of February, March, May, June, September and October 1973, SEC Supplemental Form 8-K report for the months of May and July 1973, and SEC Form 10-Q reports for the three months ended March 29, 1973, the six months ended June 28, 1973 and the nine months ended September 27, 1973, and (v) the copy of *Dynalectron News*, Fall, 1973. In addition to the information contained therein, the following information is presented.

During the year, two small non-profitable operations were discontinued, one sales office was closed, and the future cost of a partially vacant lease facility absorbed.

The Petroleum Systems Services activity was involved with the filtration of oil reservoirs in connection with oil well pumping operations in New Mexico and was phased out at the end of June 1973. For the six months of activity during the current year plus the cost of suspending operations, this activity decreased earnings before taxes by $72,586.

The Company's Industrial Systems Division was phased out at the end of 1972. The division historically had been involved in training programs, primarily with minority races such as Indians in New Mexico and Montana and other minority groups in Los Angeles and Texas. The only operations in the current year involved the phaseout of a shrimp boat training program at Brownsville, Texas, and an operation for the training of gas station attendants in Dallas. The phaseout of these operations reduced net income before taxes during the current year by $5,525.

A sales office had been maintained in Buenos Aires by the Hydrocarbon Group for many years. The change in the political situation in

Argentina, coupled with the deterioration of its financial posture, resulted in a decision to close this office, which was accomplished as of the end of June 1973. The cost of this office through the period of its closure this year was $11,951.

In August 1972, the engineering and construction organization of the Company's Hydrocarbon Group was transferred to a newly organized subsidiary and relocated to Miami, Florida. Efforts to sublease the vacated New York City space at 115 Broadway have been unsuccessful. Under the circumstances, the lease exposure through April 1974 (the balance of the lease term) has been written off. This reduced net income before taxes in the current period by $54,986.

A protocol has been negotiated but not yet executed for the sale of Puteaux Realty (condominium premises in Paris) to La Banque Nationale de Paris for the account of its affiliate, INVESTIPIERRE. The agreement contemplates a closing in December 1973 with payment in January 1974. The sale, assuming no change in dollar-franc exchange rates, when consummated should generate a capital gain for the Company of approximately $500,000, on which no U.S. tax should be payable in view of the availability of unused capital loss carryforward sufficient to cover same.

2. *Contractual Renegotiation and Price Redetermination.*

The Company has been cleared on a consolidated basis for renegotiation purposes under the Renegotiation Act of 1951 for all years through December 31, 1970. For each of the years ended December 31, 1971 and December 31, 1972, approximately 42% of the Company's consolidated sales are subject to renegotiation under said Act. The Company does not believe that any refund with respect to either of such years will be required.

Gulf Telephone & Electronics, Inc. is subject to renegotiation under said Act in connection with a contract with the U. S. Navy, which contract was not profitable.

Although from time to time the Company accepts contracts which are subject to price redetermination, there are no price determination actions or controversies presently pending or, to the knowledge of the Company, anticipated.

EXHIBIT D

DYNALECTRON CORPORATION AND RESTRICTED SUBSIDIARIES

FUNDED DEBT, SHORT-TERM BORROWINGS AND GUARANTIES

As At December 26, 1973

FUNDED DEBT

The Company is obligated to the holders of its 6¾% Convertible Subordinated Notes under a Note Agreement dated October 15, 1968 and subsequent amendments. If no conversion has taken place (current conversion rate is $14.47 per share), annual repayment in an amount equal to 10% of the outstanding principal balance will commence October 15, 1979 with a final maturity date of October 15, 1988. Amounts currently outstanding are as follows:

Massachusetts Mutual Life Insurance Company	$1,500,000	
American General Life Insurance Company of Delaware	500,000	
Northwestern National Life Insurance Company	500,000	
Home Life Insurance Company	500,000	
General American Life Insurance Company	350,000	
Eaton and Howard Income Fund	300,000	
Rea Brothers Limited	125,000	
Dynalectron Corporation Pension Trust	225,000	
Hydrocarbon Research, Inc. Pension Trust	75,000	$ 4,075,000

The Company is obligated to the three former stockholders of HMS Electric Corporation under an Agreement for the purchase f all of the outstanding stock of HMS Electric Corporation, dated May 31, 1973. The total amount payable, including current maturities, is $1,224,750. There are three Installment Promissory Notes aggregating $741,750 and commitments of $225,000 for Purchase Price Retention "A" and $258,000 for Purchase Price Retention "B" under the Agreement. The installment notes are each repayable in four equal semi-annual installments aggregating $185,437.50 of principal plus interest at the rate of six and one-half percent (6½%) per annum. The final payment date of the Notes is July 5, 1975. The retentions which bear interest at the same rate are payable subject to the terms of the Agreement. Retention "A" has a maturity date of July 31, 1974 and Retention "B" has a maturity date of September 30, 1976 628,875

The Company is obligated to Betty Hart and Mack Hart under Promissory Notes issued pursuant to an Agreement for the purchase of all of the outstanding stock of Hart Electric, Inc. dated July 20, 1973. The total amount payable (including current maturities) is $639,000 represented by two Notes of $252,000 each and a $135,000

retention obligation under the Agreement. The Notes are repayable in ten equal semi-annual installments of $25,200 each of the principal plus interest at the rate of eight and one-quarter percent (8¼%) per annum. The final maturity date of the Notes is July 5, 1978. The retention bears interest at the same rate and is payable, subject to the terms of the Agreement, with a maturity date of November 30, 1977 ..... $ 538,200

A&A Electric Co., Inc. is obligated to The First National Bank of Englewood under an installment note and mortgage assumed from John H. Middel on that certain property Lots 45 to 48, Block 51, Breenlow Park in the city and county of Denver, Colorado. Repayments are in equal monthly amounts through May 1, 1979, of $554.30 to cover principal and interest at the rate of eight percent (8%) per annum 24,680

State Electric Company is obligated to pay Joseph K. Smith of Warren, Michigan, for the purchase of a building located on approximately one acre of land known as part of Block B and part of Lot 5 according to registered plan #1575 City of Windsor in the County of Essex and Province of Ontario. The original mortgage, dated April 22, 1971, specifies the repayment of $35,000 over a ten-year period with interest at 7% per annum compounded semi-annually. Beginning on June 1, 1971, scheduled payments are $406.00 due for the first 119 months and a final payment of $161.35 on June 1, 1981 .. 25,044

Hart Electric, Inc. has assumed liability for and is obligated to First Federal Savings and Loan Association, Tampa, Florida, on a Note and Mortgage given by Mack and Betty Hart to Southwestern Mortgage Corporation and thereafter assigned by the mortgagee to First Federal Savings and Loan Association. Said mortgage is on the real property described as Lots 10, 11 and 31 of unrecorded Plot of Coachman Heights being a part of Lots 14, 15, 29 and 30, in Block B of Coachman Heights and part of vacated Haven Street as recorded in Plot Book 1, page 16, of the Public Records of Pinelias County, Florida. The Note is payable in equal monthly installments of $304.00 (covering principal and interest at six percent (6%) per annum) through May 19, 1979 14,116

HMS Electric Corporation is obligated to Loyola Federal Savings and Loan Association, Baltimore, Maryland, under a mortgage on a condominum apartment unit located at Number 8, Olive Ave., Rehoboth Beach, Delaware. The mortgage (original principal amount of $25,100.00) is repayable in equal monthly payments of $219.63 through August 31, 1988. Payments cover principal and interest at eight percent (8%) per annum 21,867

Vegas Valley Electric, Inc. is obligated to Wanda L. Trent for the purchase of 166½ shares of treasury stock under a Note dated March 30, 1970. The Note is payable in equal quarterly principal installments of $6,250.00 plus interest at seven percent (7%) per annum through March 31, 1976 37,500

Gulf Telephone & Electronics, Inc. is obligated to Alvin State Bank on two installment Notes for the purchase of one 1973 Chevrolet Vega sedan and one 1973 Lincoln town car. The repayments are in equal monthly installments of $84.38 and $256.97 including interest rates of 10.2% and 9.31% per annum through June 6, 1976 and January 6, 1976, respectively	$ 5,242
Gulf Telephone & Electronics, Inc. is obligated to Corpus Christi Bank and Trust Company on two installment Notes for the purchase of one 1972 Chevrolet Van and three 1973 Chevrolet Vans. The payments are in equal monthly installments of $105.47 and $226.92, respectively, covering principal plus interest at the rate of 10.2% per annum. Payments run through October 25, 1975 and January 10, 1976, respectively	3,789
Gulf Telephone & Electronics, Inc. is obligated to Great Southern Bank on an installment Note for the purchase of one 1974 Chevrolet Vega. Payments are in equal monthly installments of $84.19 including principal and interest (based on 5% add on) through December 5, 1977	1,836
Vegas Valley Electric, Inc. is obligated to Keltner, Milan and Johnson, CPAs, for services rendered in connection with the sale of A to Z Rental, a former division of Vegas Valley, under a Note dated December 1, 1969. The Note is payable in equal quarterly installments of $750.00 (including interest at the rate of seven percent (7%) per annum) through December 1, 1976	10,650
Total Funded Debt	$ 5,386,799

GUARANTIES

The Company is guarantor to the Republic National Bank of Dallas (RNB) in support of a credit extended by RNB to Liberia Refining Company. Three annual payments in the amount of $200,000 are due each March 22nd with a balloon installment in the amount of $700,000 due on March 22, 1977. The interest rate is adjustable prospectively for each semi-annual period at one percent (1%) per annum over the rate at which six months Euro-dollars are offered on the London Interbank market two days before the semi-annual period commences	$ 1,300,000
Hydrocarbon Research, Inc. is guarantor of 20% of the lease rental payments due by Liberia Refining Company to A. Momalu Massaquoi, St. Paul Realty, Lawsat, Incorporated, and Sumo Jones, which lease payments were assigned to Manufacturers Hanover Trust Co. in support of the financing of the properties concerned. The respective guarantees expire March 30, 1975, April 1, 1975, May 1, 1975, and August 31, 1975	23,000
The Company is guarantor to Morgan Guaranty Trust Company (Paris) in support of a standby Letter of Credit issued to Mannesmann-Export, A. G. (ME) dated October 31, 1973 on behalf of Hydrocarbon Research, Inc. (HRI). The Letter of Credit collateral-	

izes HRI's commitment under a Memorandum of Agreement dated June 15, 1972 between ME, Hydrocarbon Engineering, S.A. and HRI (the "Joint Venture") to share the uninsured credit risk on the German financing extended by ME pursuant to the contract for expansion of the refinery at Aspropyrgos, Greece, between Hellenic Aspropyrgos Refinery, S.A. (HAR) and the Joint Venture. In the event of an uncorrected default (longer than 9 months) in payment by HAR (which would not occur until after a Swiss Bank guarantee established by HAR in the amount of $2,100,000 was exhausted without replenishment pursuant to the commitment of Hellenic Shipyards) then HRI would buy its share of the financed account and would stand with the other lenders in foreclosing on the mortgage on HAR's $50 million refinery near Athens, Greece. The amount available under the standby Letter of Credit progressively reduces upon each of the fourteen remaining semi-annual payments (January and July) by HAR. The amount outstanding at December 26, 1973 is 5,068,736 Deutsche Marks, which at the December 19, 1973 exchange rate is $1,908,379. In addition, the Company guarantees a French Banking Pool which issued a Buyer's Credit to finance the French half of the project to the extent of 1¼% of the unpaid amount of the French credit. The payout period and collateral on the French credit generally corresponds (including a separate Swiss letter of credit) with that for the Deutsche Mark credit. The Company's exposure to the French Banking Pool at December 26, 1973 is $151,945 at the December 19, 1973 exchange rate.

In the event it ever becomes necessary to foreclose on the HAR refinery, the Greek State would get one-third of the proceeds and the balance would go to satisfy the French and German creditors. The Company's combined exposure approximates 3% of the overall unsatisfied balance of the Franc and Deutsche Mark credits. If a foreclosure situation developed as a result of war or political confiscation, the Company's exposure would be reduced to less than half because of the increased limits of coverage in such an event by HERMES, the German government's export credit insurance agency $ 2,060,324

Dynalectron Corporation is guarantor to Morgan Guaranty Trust Company (Paris) in support of an overdraft credit line for Puteaux Realty, S.C.I. up to the amount of FFs 2,000,000. The line expires July 25, 1974, and interest is payable on the amount borrowed at the French bank lending rate. The amount of the line utilized by Puteaux Realty, S.C.I. at December 19, 1973 was FFs 294,148.87 63,977

The Company is guarantor to Republic National Bank of Dallas (London) in support of a one-year 9½% loan granted on May 15, 1973, to Puteaux Realty, S.A. 221,000

Total Guaranties ..... $ 3,668,301

SHORT-TERM BORROWINGS

The Company is obligated to five U.S. commercial banks for short-term borrowings under unsecured lines of credit arranged

with these banks at prime rates. The borrowings are under 30, 60, 90 day and on demand Promissory Notes payable at maturity plus interest as follows:

Bank	Maturity	Rate	Amount	
First National Bank of Fort Worth	1-10-74	9¾%	$ 200,000	
	1-28-74	9¾	100,000	
	2- 3-74	9¾	100,000	
	3-12-74	9¾	600,000	
Republic National Bank of Dallas	2- 7-74	Prime	700,000	
	2- 1-74	Prime	1,000,000	
	2-14-74	Prime	300,000	
Bank of New York	3-19-74	9¾	1,000,000	
United California Bank	1-27-74	9¾	250,000	
	1-17-74	9¾	250,000	
First National Bank of Boston	On demand	Prime	1,250,000	
				$ 5,750,000

The State Electric Company Limited is obligated to the Bank of Nova Scotia for demand Promissory Notes issued in connection with short-term borrowings under an unsecured $300,000 line of credit which is guaranteed by the Company. Interest (currently at 9½% per annum) is subject to adjustment from time to time ... 220,000

Total Short-Term Borrowings $ 5,970,000

DYNALECTRON CORPORATION

REVOLVER-TERM LOAN AGREEMENT

December 31, 1976

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REVOLVER-TERM LOAN AGREEMENT

($4,500,000.00)

AGREEMENT dated as of December 31, 1976, among DYNALECTRON CORPORATION, a Delaware corporation having its principal office and its mailing address at 1313 Dolley Madison Boulevard, McLean, Virginia 22102 (herein called "the Company"), the undersigned Banks (each herein called "a Bank" or collectively called "the Banks") and REPUBLIC NATIONAL BANK OF DALLAS, as agent for the Banks hereunder (in such capacity herein called "the Agent").

BACKGROUND

The Company has applied to the Banks for revolving credit loans in the aggregate principal amount at any one time outstanding not in excess of $4,500,000.00, convertible into four-year term loans on December 31, 1979. The proceeds of the revolving credit loans are to be used for the Company's general business purposes. Each Bank is willing to make revolving credit loans to the Company, subject to the terms and conditions hereinafter set forth. In consideration of the mutual covenants and agreements contained herein, and other good and valuable consideration, receipt of which is acknowledged by all the parties hereto, the parties agree as follows:

ARTICLE 1

DEFINITIONS

The terms defined in this Article 1 (except as otherwise expressly provided in this Agreement) for all purposes shall have the following meanings:

1.1 "Closing Date" shall mean the date of the first Loan hereunder.

1.2 "Commitment" shall mean, as to a Bank, the aggregate obligation of such Bank to make Loans under Sections 2.1 and 2.2 of this Agreement for the period beginning on the Closing Date and ending on December 31, 1979 (as the same may be reduced or terminated pursuant to Section 2.1(c) of this Agreement), which at no time shall exceed such Bank's Specified Percentage of $4,500,000.00. "Commitments" shall mean the aggregate obligations of the Banks to make such Loans.

1.3 "Loan" or "Loans" shall mean the advances to the Company pursuant to this Agreement. "Revolving Credit Loans" shall mean any Loans under Section 2.1. "Term Loans" shall mean the four-year Loans under Section 2.2.

1.4 "Note" or "Notes" shall mean any and all Notes evidencing Loans. "Revolving Credit Note" shall mean any Note evidencing a Revolving Credit Loan under Section 2.1. "Term Note" shall mean any Note evidencing a Term Loan under Section 2.2.

1.5 "Officer's Certificate" shall mean a certificate signed in the name of the Company by its President, an Executive Vice President, the chief financial officer, or any other person acceptable to the Agent.

1.6 "Specified Percentage" shall mean, as to a Bank, the percentage set opposite such Bank's signature below.

1.7 "Special Counsel to the Banks" shall mean Atwell Cain & Davenport, a Texas professional corporation.

1.8 "Business Day" shall mean any day that is not a Saturday, Sunday or legal holiday in either Virginia or Texas.

1.9 "Event of Default" shall mean any of the events specified in Article 6, providing that there has been satisfied any requirement in connection with such event for the giving of notice, or the lapse of time, or the happening of any further condition, event or act, and "Default" shall mean any of such events, whether or not any such requirement has been satisfied.

1.10 "Lien" shall mean any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any agreement to give any of the foregoing, any conditional sale or other title retention agreement, any lease in the nature thereof, and the filing of or agreement to give any financing statement under the Uniform Commercial Code of any jurisdiction).

1.11 "Current Assets" shall mean the consolidated current assets of the Company and its Subsidiaries, determined in accordance with generally accepted accounting principles, consistently applied. "Current Liabilities" shall mean the consolidated current liabilities of the Company and its Subsidiaries, determined in accordance with generally accepted accounting principles, consistently applied.

DYNCORP 00461

1.12 "Current Ratio" shall mean the ratio of Current Assets to Current Liabilities.

1.13 "Working Capital" shall mean Current Assets minus Current Liabilities.

1.14 "Prime Rate of the Agent" shall mean the rate charged by Republic National Bank of Dallas on short term loans to large businesses with the highest credit rating.

1.15 "Equitable Agreement" shall mean the Loan Agreement dated as of December 26, 1973, between the Company and the Equitable Life Assurance Society of the United States, et al, providing for 8-1/4% senior promissory notes due 1977-1988, as supplemented by a First Supplemental Agreement dated as of March 1, 1976, and a Second Supplemental Agreement dated as of September 1, 1976, and such further supplements and amendments as may be approved pursuant to Section 5.6 of this Agreement. Unless otherwise specifically defined herein, all capitalized terms in this Agreement shall have the same meanings as in the Equitable Agreement.

ARTICLE 2

LOANS

2.1 Revolving Credit. Each Bank, severally and not jointly, agrees, upon the terms and subject to the conditions of this Agreement, to make Revolving Credit Loans to the Company from time to time from the Closing Date until December 31, 1979, or until the Commitments of the Banks shall be terminated, up to, but not exceeding in aggregate principal amount at any time outstanding, such Bank's Commitment. Within such limit, the Company may borrow, repay, and reborrow, without premium or penalty, under this Section 2.1 from the Closing Date to and including December 31, 1979, when all Revolving Credit Loans shall be payable, to the extent they are not converted to Term Loans pursuant to Section 2.2.

(a) Interest. Revolving Credit Loans shall bear interest prior to maturity at an annual percentage rate equal to the Prime Rate of the Agent as the same shall be in effect from day to day, plus (i) one-fourth percent (1/4%) per annum until December 31, 1977, (ii) one-half percent (1/2%) per annum until December 31, 1978, and (iii) three-fourths percent (3/4%) per annum until December 31, 1979, but in no event higher than the highest lawful rate. Interest shall be payable as it accrues on March 31, 1977, and on each June 30, September 30, December 31 and March 31 thereafter, and at maturity.

(b) Commitment Fee. The Company shall pay to each Bank a commitment fee at a rate of one-half percent (1/2%) per

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annum on the daily average unused amount of such Bank's Commitment from the Closing Date to the earlier of the date upon which the Commitments of the Banks expire or are terminated in full, or the date upon which the Revolving Credit Loans are converted to the Term Loans pursuant to Section 2.2 of this Agreement. Accrued commitment fees shall be paid on the same days as interest is due (whether or not any interest is payable), beginning March 31, 1977.

(c) Partial Termination by Company. The Company shall have the right at any time or from time to time upon not less than ten (10) days' prior notice to the Agent (if telephonic, to be confirmed by telex or in writing), which shall notify the Banks, to terminate the Commitments of the Banks, in whole or in part, provided that each partial termination shall be in an aggregate amount which is an integral multiple of $90,000.00, and shall reduce the Commitments of the Banks proportionately.

(d) Balances. Subject to the provisions of Section 8.6 of this Agreement, the Company shall maintain with each Bank during each calendar quarter average collected balances in excess of those necessary to support account activity in an amount no less than ten percent (10%) of such Bank's Commitment plus ten percent (10%) of the average unpaid amount of such Bank's Revolving Credit Loans from time to time outstanding. Upon notice from any Bank of a deficiency during any quarter in the balances to be maintained pursuant hereto, the Company shall pay to the notifying Bank, within ten (10) days of any such notice, to compensate said Bank for said deficiency, a fee equal to the amount of the deficiency for said quarter, times the number of days in said quarter divided by three hundred sixty (360), times one hundred twenty-five percent (125%) of the average interest rate during the quarter as set forth in Section 2.1(a); however, the amount of any deficiency shall be reduced by any excess balances maintained in the next following quarter, and no notice shall be given hereunder until after the end of the quarter next following the quarter during which a deficiency occurs.

(e) Revolving Credit Notes. On the Closing Date, the Company agrees to deliver to the Agent for each Bank a Revolving Credit Note, dated as of the Closing Date, in the form of Exhibit "A", properly executed, with all blanks appropriately filled, in the amount of such Bank's Commitment on the Closing Date. Each Bank shall, and is hereby authorized by the Company to, set forth on the reverse side of its Revolving Credit Note the amount of each Revolving Credit Loan made by it hereunder and any prepayment thereof and the other information provided on such reverse side.

(f) Manner of Borrowing. The Company shall give each Bank, at its office specified below, at least one Business Day's prior notice (if telephonic, to be confirmed by telex or in writing), specifying the amount and date of each borrowing pursuant to this Section 2.1, each borrowing (and repayment) to be in the aggregate amount of Ninety Thousand Dollars ($90,000.00), or in integral multiples thereof. On the date specified, each Bank shall deposit in the general deposit account of the Company with it the amount of the Loan in question.

DYNCORP 00463

2.2 Term Loans. Upon at least ten (10) days' prior notice to the Agent (if telephonic, to be confirmed by telex or in writing) specifying the proposed amount of the Term Loans, the Company shall at its option on December 31, 1979, either pay in full the principal and interest of the Revolving Credit Loans outstanding on December 31, 1979, or convert all or any part of the Revolving Credit Loans then outstanding into the Term Loans, provided that (i) no Event of Default or Default then exists, (ii) the Company shall have satisfactorily executed and delivered the Term Notes to the Agent for the Banks with all blanks appropriately filled and (iii) the Company shall have paid all interest and commitment fees on the Revolving Credit Loans through December 31, 1979, together with any portion of the Revolving Credit Loans not so converted. The principal amount of the Term Loans shall be payable in sixteen (16) consecutive equal installments on March 31, June 30, September 30 and December 31 of each year, beginning March 31, 1980, with all Term Loans being due and payable in full on or before December 31, 1983, all as further set out in the form of Term Note which is Exhibit "B" hereto.

(a) Interest. The Term Loans shall bear interest prior to maturity at an annual percentage rate which is one hundred fifteen percent (115%) of the Prime Rate of the Agent as the same shall be in effect from day to day, but no higher than the highest lawful rate. Interest shall be payable in addition to, and on the same dates as, principal, and at maturity.

(b) Balances. Subject to the provisions of Section 8.6 of this Agreement, the Company shall maintain with each Bank during each calendar quarter average collected balances in excess of those necessary to support account activity in an amount no less than twenty percent (20%) of the average unpaid amount of such Bank's Term Loan from time to time outstanding. Upon notice from any Bank of a deficiency during any quarter in the balances to be maintained pursuant hereto, the Company shall pay to the notifying Bank, within ten (10) days of any such notice, to compensate said Bank for said deficiency, a fee equal to the amount of the deficiency for said quarter, times the number of days in said quarter divided by three hundred sixty (360), times one hundred twenty-five percent (125%) of the average interest rate during the quarter, as set forth in Section 2.2(a); however, the amount of any deficiency shall be reduced by any excess balances maintained in the next following quarter, and no notice shall be given hereunder until after the end of the quarter next following the quarter during which a deficiency occurs.

(c) Term Notes. Each Term Loan under this Section 2.2 shall be evidenced by, and repaid in accordance with, a Term Note of the Company in substantially the form of Exhibit "B" hereto, dated December 31, 1979, and payable to the order of the respective Bank in the amount of its Specified Percentage of the Term Loans.

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(d) Prepayment. The Company shall have the right at any time, and from time to time, to prepay the Term Notes in whole or in part, without premium or penalty, provided that (i) the Company shall give at least two Business Days' notice (if telephonic, to be confirmed by telex or in writing) to the Agent of each prepayment, (ii) interest on the amount prepaid, accrued to the prepayment date, shall be paid on such prepayment date, (iii) any prepayment hereunder shall reduce the installments due on the Term Notes in the inverse order of their maturity, and (iv) each prepayment shall be in an aggregate amount which is an integral multiple of $90,000.00.

2.3 Pro Rata Treatment. Each borrowing from and change in the Commitments of the Banks hereunder shall be made pro rata according to the respective Commitments. Each payment and prepayment on the Notes shall be made to the Banks pro rata in accordance with the unpaid principal amount of the Notes held by each Bank.

2.4 Payments, Etc. All payments of principal, interest, and other charges hereunder shall be made in lawful money of the United States of America in immediately available funds at the respective banking offices of the Banks. If any interest, principal or fee falls due on other than a Business Day, then such due date shall be extended to the next succeeding Business Day, and interest will be payable in respect to such extension.

2.5 Conditions Precedent to First Loan. The obligation of each Bank to make the first Loan to be made by it hereunder is subject to the satisfaction of the following conditions:

(a) No Default. There shall exist no Event of Default or Default on the Closing Date.

(b) Representations and Warranties. The representations and warranties contained in Article 3 shall be true and correct on and as of the Closing Date, with the same effect as though made on and as of the Closing Date.

(c) Certificate. The Company shall have delivered to the Agent an Officer's Certificate, dated as of the Closing Date, certifying (i) to the matters covered by the conditions specified in subparagraphs (a) and (b) of this Section 2.5, (ii) that the Company has performed and complied with all agreements and conditions required to be performed and complied with by it prior to or on the Closing Date, (iii)

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to the name and signature of each officer of the Company authorized to sign Notes and to borrow under this Agreement, and (iv) to such other matters in connection with this Agreement which the Agent shall determine to be advisable.

(d) Proceedings. All corporate proceedings of the Company taken in connection with the transactions contemplated by this Agreement and all documents incidental thereto shall be satisfactory in form and substance to the Agent and Special Counsel to the Banks; and the Agent shall have received copies of all documents, or other evidence which the Agent or Special Counsel to the Banks may reasonably request in connection with said transactions, and copies of records and all corporate proceedings in connection therewith, in form and substance satisfactory to the Agent and Special Counsel to the Banks.

(e) Revolving Credit Notes. The Company shall have delivered the Revolving Credit Notes to the Agent for each Bank dated as of the Closing Date, appropriately executed, with all blanks appropriately filled.

(f) Guaranties. The Company shall have delivered to the Agent guaranties in the form of Exhibit "C" (the "Guaranties") from all Restricted Subsidiaries, appropriately executed, together with copies of records of all corporate proceedings in connection therewith and such other evidence which the Agent or Special Counsel to the Banks may reasonably request in connection therewith, in form and substance satisfactory to the Agent and Special Counsel to the Banks.

(g) Credit Agreement. The Company shall have delivered to the Agent for each Bank an executed copy of the Credit Agreement in the form of Exhibit "D" (the "Credit Agreement") together with all closing documents in connection therewith, and an Officer's Certificate dated as of the Closing Date to the effect that the Credit Agreement is in full force and effect without waiver or amendment thereto.

(h) Opinion of Company's General Counsel. The Agent shall have received from the Vice President and General Counsel of the Company, a favorable opinion satisfactory in form and substance to the Agent and Special Counsel to the Banks (i) as to the matters referred to in Sections 3.1, 3.3, 3.5, 3.6, 3.7, 3.11 and 3.13; to the effect that this Agreement, the Credit Agreement and all Notes issued pursuant to

either of said Agreements constitute and will constitute the valid, legal and binding obligations of the Company enforceable in accordance with their respective terms (subject as to enforcement of remedies to any applicable bankruptcy, reorganization, moratorium, or other laws affecting the enforcement of creditors' rights generally); (iii) to the effect that the Guaranties constitute and will constitute the valid, legal and binding obligations of the Restricted Subsidiaries, enforceable in accordance with their respective terms (subject as to enforcement of remedies to any applicable bankruptcy, reorganization, moratorium, or other laws affecting the enforcement of creditors' rights generally); and (iv) as to such other matters incident to the transactions hereby contemplated as the Agent or Special Counsel to the Banks may reasonably request.

(i) Opinion of Banks' Counsel. The Agent shall have received from Special Counsel to the Banks their favorable opinions, in form and substance satisfactory to the Agent, as to such matters incident to the transactions contemplated by this Agreement as the Agent shall reasonably request.

2.6 Conditions Precedent to All Loans. No Bank shall be obligated to make any Loan, including the Term Loans, if there is in existence at such time an Event of Default or Default; or if any of the representations and warranties contained in Article 3 of this Agreement shall be false or untrue in any material respect on the date of such Loan, as if made on such date. Each request by the Company for a Loan shall constitute a representation by the Company that there is not at the time of such request an Event of Default or Default, and that all representations and warranties in Article 3 of this Agreement are true and correct on and as of the date of each such request.

ARTICLE 3

REPRESENTATIONS AND WARRANTIES

The Company represents, warrants and covenants as follows:

3.1 Organization and Qualification. The Company is a corporation duly organized, validly existing, and in good standing under the laws of its state of incorporation, and the Company is duly qualified and in good standing as a foreign corporation in each jurisdiction in which the nature of the business transacted or

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the property owned is such as to require qualification as a foreign corporation.

3.2 Financial Statements. The financial statements of the Company and its Subsidiaries heretofore furnished to the Banks, are complete and correct and prepared in accordance with generally accepted accounting principles consistently followed throughout the periods involved, and fairly present the financial condition of the Company and its Subsidiaries as of the dates indicated and for the periods involved and show all material liabilities, direct and contingent of the Company and its Subsidiaries. Neither the Company nor any of its Subsidiaries had as of the date of the latest of those financial statements any contingent liabilities, liabilities for taxes, unusual forward or long term commitments or unrealized or anticipated losses from any unfavorable commitments which are substantial in amount in relation to the consolidated financial condition of the Company and its Subsidiaries, except as referred to or reflected or provided for in the latest of such financial statements. Since the date of the latest of said financial statements, there has been no material adverse change in the business condition or operations of the Company or any of its Subsidiaries.

3.3 Actions Pending. Except as referred to in Section 3.2 or otherwise disclosed in writing to the Banks, there is no action, suit, investigation or proceeding pending or, to the knowledge of the Company, threatened against or affecting the Company or any of its Subsidiaries, or any properties or rights of the Company or any of its Subsidiaries, before any court, arbitrator or administrative or governmental body which involves the probability of any final judgment or liability which may result in any material adverse change in the business or in the condition, financial or otherwise, of the Company or such Subsidiary. Neither the Company nor any Subsidiary is in default with respect to any order, writ, injunction, or decree of any court or any governmental agency or department.

3.4 Total Liabilities. Since September 30, 1976, and through the Closing Date, neither the Company nor any of its Subsidiaries has incurred any material liability except as described in the latest of the financial statements referred to in Section 3.2, or disclosed in other documents heretofore provided to the Banks, or incurred in the ordinary course of business. There exists no material default under the provisions of any instrument evidencing such liabilities or of any agreement relating thereto.

3.5 Conflicting Agreements and Other Matters. Neither the Company nor any of its Subsidiaries is a party to any contract or agreement or subject to any charter or other corporate restriction

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which materially and adversely affects its business, property or assets, or financial condition. Neither the Company nor any Subsidiary is a party to or otherwise subject to any contract or agreement which restricts or otherwise affects the right or ability of the Company and its Subsidiaries to execute this Agreement, the Notes, the Credit Agreement and the notes issued pursuant thereto, and the Guaranties, or to perform their respective terms. Neither the execution or delivery of this Agreement, the Notes, and the Guaranties, the Credit Agreement and the notes issued pursuant thereto, nor fulfillment of nor compliance with the terms and provisions of this Agreement, the Notes, the Guaranties, the Credit Agreement and the notes issued pursuant thereto, will conflict with, or result in a breach of the terms, conditions or provisions of, or constitute a default under, or result in any violation of, or result in the creation of any Lien upon any of the properties or assets of the Company or any Subsidiary pursuant to, or require any consent, approval or other action by or any notice to or filing with any court or administrative or governmental body (other than routine filings after the Closing Date with the Securities and Exchange Commission and/or State Blue Sky authorities) pursuant to, the charter or by-laws of the Company or any Subsidiary, any award of any arbitrator or any agreement, instrument, order, judgment, decree, statute, law, rule or regulation to which the Company or any Subsidiary is subject.

3.6 Corporate Authorization. The Board of Directors of the Company has duly authorized the execution and delivery of this Agreement, the Notes, the Credit Agreement and the notes issued pursuant thereto, and the performance of their respective terms. No consent of the stockholders of the Company is required as a prerequisite to the validity and enforceability of this Agreement or any document contemplated herein.

3.7 Subsidiary Authorization. The Board of Directors of each Restricted Subsidiary has duly authorized the execution and delivery of the Guaranties, and the performance of their terms. To the extent required for the validity and enforceability of the Guaranties, the stockholders of the Restricted Subsidiaries have duly authorized the execution and delivery of the Guaranties.

3.8 Taxes. The Company has and each of its Subsidiaries has filed all Federal, State and other income tax returns which, to the best knowledge of the officers of the Company are required to be filed, and each has paid all taxes as shown on said returns, all taxes due or payable without returns and all assessments received by it to the extent that such taxes or assessments have become due. All tax liabilities of the Company and its Subsidiaries are adequately provided for on the books of the Company and its Subsidiaries, including interest and penalties. No income tax liability of a material nature of the Company or any Subsidiary has been asserted by the taxing authorities for taxes in excess of those already paid.

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3.9 Use of Loans. Neither the Company nor any Subsidiary is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation-U of the Board of Governors of the Federal Reserve System) and no part of the proceeds of any Loan will be used to purchase or carry any margin stock or to extend credit to others for the purpose of purchasing or carrying any margin stock. Neither the Company nor any agent acting on its behalf has taken or will take any action which might cause the Agreement or the Notes to violate any regulation of the Board of Governors of the Federal Reserve System or to violate the Securities Exchange Act of 1934, in each case as in effect now or as the same may hereafter be in effect.

3.10 Disclosure. Neither this Agreement nor any other document, certificate or statement furnished to the Banks by or on behalf of the Company in connection herewith contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein and therein not misleading. There is no fact known to the Company and not known to the public generally which materially adversely affects its assets or in the future may (so far as the Company can now foresee) materially adversely affect the business, property, or assets, or financial condition of the Company or any of its Subsidiaries which has not been set forth in this Agreement or in the documents, certificates and statements furnished to the Banks by or on behalf of the Company prior to the date hereof in connection with the transactions contemplated hereby.

3.11 Governmental Consent. Neither the nature of the Company, or any Subsidiary, its business or property, nor any relationship between the Company, or any Subsidiary, and any other Person, nor any circumstance in connection with the Loans contemplated hereby, the Credit Agreement or the Guaranties, is such as to require any consent, approval or authorization of, or filing, registration or qualification with, any administrative or governmental body in connection with the execution and delivery or this Agreement, the Notes, the Credit Agreement and the notes to be issued pursuant thereto, and the Guaranties.

3.12 Pension Reform Act of 1974. Neither the Company nor any Subsidiary has incurred any material accumulated funding deficiency within the meaning of the Employee Retirement Income Security Act of 1974, or has incurred any liability to the Pension Benefit Guaranty Corporation established under such Act (or any successor thereto under such Act) in connection with any employee benefit plan established or maintained by the Company or any Subsidiary.

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3.13 Equitable Representations and Warranties. The representations and warranties in the following sections of the Equitable Agreement are true and correct on this date, as though made on and as of the date hereof: Section 2B, Section 2F, Section 2G, Section 2M and Section 2Q (except as to Section 2B and Section 2F, to the extent supplemented on the Closing Date by a schedule delivered to the Agent).

ARTICLE 4

AFFIRMATIVE COVENANTS

From the date hereof, and so long as the Commitments of the Banks shall be outstanding and until payment in full of all principal and interest due on Loans outstanding under this Agreement, and the performance of all other obligations of the Company under this Agreement:

4.1 Financial Statements. The Company covenants that it will deliver to the Banks

(a) as soon as practicable and in any event within 45 days after the end of each quarterly period in each fiscal year, a consolidated and consolidating balance sheet of the Company and its Subsidiaries as at the end of such quarterly period and a consolidated and consolidating statement of income and changes in financial position of the Company and its Subsidiaries for the period from the beginning of the current fiscal year to the end of such quarterly period, setting forth in each case in comparative form figures for the corresponding period in the preceding fiscal year, all in reasonable detail and certified by an authorized financial officer of the Company, subject to changes resulting from year-end audit adjustments;

(b) as soon as practicable and in any event within 120 days after the end of each fiscal year, a consolidated and consolidating balance sheet of the Company and its Subsidiaries as at the end of such year, and a consolidated and consolidating statement of income and changes in financial position of the Company and its Subsidiaries for such year, setting forth in each case in comparative form corresponding figures from the preceding annual audit, all in reasonable detail, and as to the consolidated statements, certified to the Company by Arthur Andersen & Co. or other independent certified public accountants of recognized standing selected by the Company and acceptable to the Agent;

(c) promptly upon transmission thereof, copies of all such financial statements, proxy statements, notices and reports as the Company shall send to its stockholders and its long-term lenders and copies of all registration statements (without exhibits) and all reports which the Company shall file with the Securities and Exchange Commission (or any governmental body or agency succeeding to the functions of the Securities and Exchange Commission); and

(d) with reasonable promptness, such other financial data with respect to the Company and its Subsidiaries (including, without limitation, consolidating statements of income and surplus of, and consolidating balance sheets of, the Company and its Subsidiaries prepared by the Company) as any Bank may reasonably request.

Together with each delivery of financial statements required by subparagraphs (a) and (b) above, the Company will deliver to the Banks an Officer's Certificate (i) stating that there exists no Event of Default or Default, or if any such Event of Default or Default exists, specifying the nature thereof, the period of existence thereof and what action the Company proposes to take with respect thereto, and (ii) calculating and certifying to the matters set out in Sections 5.1, 5.2 and 5.5 as of such date (all computed in accordance with the provisions hereof and showing the method of computation). Together with each delivery of financial statements required by subparagraph (b) above, the Company will, in addition, deliver to the Banks a certificate of said accountants stating that, in making the audit necessary to the certification of such financial statements, they have obtained no knowledge of any Event of Default or Default, or, if any such Event of Default or Default exists, specifying the nature and period of existence thereof. The Company also covenants that promptly upon the discovery of an Event of Default or Default under this Agreement, it will deliver to the Banks an Officer's Certificate specifying the nature thereof, the period of existence thereof, and what action the Company proposes to take with respect thereto.

4.2 Inspection of Property. The Company covenants that it will permit any officer or employee of any of the Banks or any other Person satisfactory to the Company and in each case designated by a Bank in writing, at such Bank's expenses, to visit and inspect any of the properties, corporate books and financial records of the Company and its Subsidiaries, and to discuss the affairs, finances and accounts of any of such corporations with the principal officers of the Company, all at such reasonable times

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and as often as a Bank may reasonably request; provided, however, that the foregoing shall not require the Company to permit inspection of any properties or operations to an extent which would require the Company or any Subsidiary to reveal any of its trade secrets.

4.3 Guaranties. The Company shall cause each of its Restricted Subsidiaries, now existing or hereafter acquired, to execute and deliver a Guaranty in the form of Exhibit "C", together with copies of records of all corporate proceedings in connection therewith and such other evidence which the Agent or Special Counsel to the Banks may reasonably request in connection therewith, in form and substance satisfactory to the Agent and Special Counsel to the Banks. As soon as available, and in any event on or before April 30, 1977, the Company shall deliver to the Agent opinions of counsel to the Company and its various Restricted Subsidiaries satisfactory to the Agent and Special Counsel to the Banks as to such matters with regard to the Guaranties as the Agent or Special Counsel to the Banks shall reasonably require, including, without limitation, said counsel's opinions that the Guaranties constitute and will constitute valid, legal and binding obligations of the Restricted Subsidiaries, enforceable in accordance with their respective terms (subject as to enforcement of remedies to any applicable bankruptcy, reorganization, moratorium, or other laws affecting the enforcement of creditors' rights generally).

ARTICLE 5

NEGATIVE COVENANTS

From the date hereof, and so long as the Commitments of the Banks shall be outstanding and until the payment in full of all principal and interest due on Loans outstanding under this Agreement, and the performance of all other obligations of the Company under this Agreement:

5.1 Ratios and Working Capital. The Company covenants that it will not permit

(a) its Current Ratio to be less than 1.50 to 1; or

(b) its Working Capital to be less than $18,000,000.00; or

(c) Consolidated Net Tangible Assets to be less than 225% of Consolidated Senior Funded Debt, or less than 160% of Consolidated Funded Debt. All indebtedness represented by Redeemable Stock (to the extent provided in paragraph F of the "Indebtedness" definition in the Equitable Agreement) shall be included in

Consolidated Senior Funded Debt and Consolidated Funded Debt, except to the extent that any shares of Redeemable Stock are subject to earn-out contingencies. Notwithstanding anything in the Equitable Agreement to the contrary, Consolidated Net Tangible Assets shall include Indebtedness of Liberia Refining Company owing to the Company not exceeding $3,000,000.00 in aggregate amount (minus such amount which according to generally accepted accounting principles must be deducted from the assets on the Company's balance sheet, whether or not said Indebtedness is past due), to the extent that such Indebtedness (i) is secured by a first mortgage lien on the property in Liberia upon which the refinery owned by Liberia Refining Company is constructed, (ii) is insured against confiscation and other political risks by Lloyd's Underwriters or some other insurer agreed to by the Agent in writing, and (iii) is not in arrears by more than 180 days.

5.2 Current Debt. The Company will not permit its current indebtedness for borrowed money (other than the current portion of Funded Debt) to be greater than $13,000,000.00 at any time outstanding.

5.3 Dividends. The Company shall not directly or indirectly pay any dividends on any shares of any class of its stock (other than dividends payable solely in shares of any class of its stock) and shall not, and shall not permit any Subsidiary to, make any payment on account of the purchase, redemption or other retirement of any shares of any class of the Company's stock or warrants or options therefor, or make any other distributions in respect thereof, whether in cash or in property or in obligations of the Company; provided that, in any fiscal year the Company may pay dividends in an amount not to exceed 25% of the previous fiscal year's Net Income, non-cumulative. Nothing in this Section 5.3 shall prohibit the Company from performing its obligations pursuant to any of its Class "B" Redeemable Stock currently issued.

5.4 Mergers, etc. The Company shall not, nor shall it permit any Subsidiary to, merge or consolidate with any Person, or acquire by purchase or otherwise all or substantially all of the assets or stock of any Person except (i) that any Subsidiary may be merged into the Company or another Subsidiary, and (ii) such mergers and acquisitions as may be in compliance with the acquisition criteria set forth on Exhibit "E" attached hereto and made a part hereof.

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5.5 Investments. In addition to the limitation on Investments imposed by the Equitable Agreement, the Company shall not, nor shall it permit any Subsidiary to make any investment in a business venture (other than in the Company or a Restricted Subsidiary) of a continuing nature (as distinguished from a single purpose joint venture engaged principally in the type of contracting in which the Company is presently engaged) or in an Unrestricted Subsidiary, which would in the aggregate of such investments exceed $750,000.00 in 1977 or $1,000,000 in each subsequent year (not including, with respect to such investments, the retention of earnings in the Unrestricted Subsidiary or other Person in which such investments shall be made).

5.6 Equitable Agreement. The Company shall not prepay any of the indebtedness provided for in the Equitable Agreement, nor shall it, nor shall it permit any Subsidiary to, breach any of the covenants or prohibitions contained in the Equitable Agreement as now written and agreed upon, as if they were incorporated herein. No waiver, amendment, or consent with respect to the Equitable Agreement shall be binding on the Banks without the consents required by Sections 7.7 and 8.2 of this Agreement. The Company and its Subsidiaries shall perform all of the covenants in the Equitable Agreement, whether or not the Equitable Agreement shall have been terminated or any indebtedness under the Equitable Agreement shall be outstanding.

5.7 Credit Agreements. The Company shall not fail to have available for any period of time in excess of thirty (30) days short-term revolving credits in committed principal amounts aggregating not less than $4,500,000.00, pursuant to a credit agreement or credit agreements in form and substance similar to Exhibit "D".

ARTICLE 6

EVENTS OF DEFAULT; REMEDIES

6.1 Events of Default. If any one or more of the following events (herein called "Events of Default") shall occur and be continuing for any reason whatsoever (and whether such occurrence shall be voluntary or involuntary or come about or be effected by operation of law or otherwise):

(a) the Company shall fail to pay any principal of any Note when the same shall become due, either by the terms thereof or otherwise as herein provided; or

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(b) the Company shall fail to pay any interest on any Note, or any commitment fee, for more than ten (10) days after the date due; or

(c) the Company or any Restricted Subsidiary shall default in the payment of principal of or interest on any other obligation for money borrowed or received as an advance (other than an advance in the ordinary course of business about which there exists a good-faith dispute), or any obligation under any material conditional sale or other title retention agreement or any material obligation issued or assumed as full or partial payment for property whether or not secured by purchase money mortgage or any obligation under notes payable or drafts accepted representing extensions of credit, beyond any grace period provided with respect thereto, or shall default in the performance of any other agreement, term or condition contained in any agreement under which such obligation is created (or if any other default under any such agreement shall occur and be continuing beyond any period of grace provided with respect thereto) if the effect of such default is to cause, or to permit the holder or holders of such obligation (or a trustee on behalf of such holder or holders) to cause such obligation to become due prior to its stated maturity; or

(d) any representation or warranty made by the Company herein or in any writing furnished in connection with or pursuant to this Agreement shall be false or misleading in any material respect on the date as of which made; or

(e) the Company shall default in the performance or observance of any of the covenants contained in Article 5 of this Agreement; or

(f) the Company shall default in the performance or observance of any other agreement, term or condition contained in this Agreement and such default shall not have been remedied within thirty (30) days after written notice thereof shall have been received by the Company from the Agent; or

(g) any of the following: (i) the Company or any Restricted Subsidiary shall make an assignment for the benefit of creditors or admit in writing its inability to pay its debts generally as they become due; or (ii) an order, judgment or decree is entered adjudicating the Company or any Restricted Subsidiary bankrupt or insolvent; or (iii)

the Company or any Restricted Subsidiary shall pecition or apply to any tribunal for the appointment of a trustee, receiver or liquidator of the Company or any Restricted Subsidiary, or of any substantial part of the assets of the Company or any Restricted Subsidiary, or shall commence any proceedings (other than proceedings for the voluntary liquidation and dissolution of a Restricted Subsidiary) relating to the Company or any Restricted Subsidiary under any bankruptcy, reorganization, compromise, arrangement, insolvency, readjustment of debts, dissolution, or liquidation law of any jurisdiction, whether now or hereafter in effect; or (iv) any such petition or application shall be filed, or any such proceedings shall be commenced, against the Company or any Restricted Subsidiary and the Company or such Restricted Subsidiary by any act shall indicate its approval thereof, consent thereto or acquiescense therein, or an order, judgment or decree shall be entered appointing any such trustee, receiver or liquidator, or approving the petition in any such proceedings, and such order, judgment or decree shall remain unstayed and in effect for more than sixty (60) days; or (v) any order, judgment or decree shall be entered in any proceedings against the Company decreeing the dissolution of the Company; or (vi) any order, judgment or decree shall be entered in any proceedings against the Company or any Restricted Subsidiary decreeing a split-up of the Company or such Restricted Subsidiary which requires the divestiture of the stock of a Restricted Subsidiary or the divestiture of a substantial part of the consolidated assets of the Company and its Subsidiaries, and such order, judgment or decree shall remain unstayed and in effect for more than sixty (60) days; or (vii) final judgment for the payment of money in an aggregate amount in excess of $25,000.00 shall be outstanding against the Company or any Restricted Subsidiary, and such judgment shall remain unstayed and in effect and unpaid for more than sixty (60) days; or (viii) any employee benefit plan established or maintained by the Company or any Restricted Subsidiary shall be terminated or a trustee appointed by an appropriate court to administer any such plan, or the Pension Benefit Guaranty Corporation shall institute proceedings to terminate any such plan or to appoint a trustee to administer any such plan;

then, and in every such event, the Agent shall, upon written request of Banks holding at least sixty-six and two-thirds percent (66-2/3%) in principal amount of the Notes (or if no Notes are outstanding, by Banks having at least sixty-six and two-thirds percent (66-2/3rds%)

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of the aggregate Commitments hereunder) by notice to the Company, terminate the Commitments of the Banks and/or if Notes are then outstanding, declare the principal of and interest on all Notes immediately due and payable, and such amounts shall be immediately due and payable, without presentment, demand, protest, notice of protest, or other notice of any kind, all of which are hereby expressly waived.

6.2 Interest After Default. All past-due obligations of the Company to the Banks, until paid, shall bear interest at the highest lawful rate in Texas.

6.3 Remedies. If one or more Events of Default shall happen and be continuing, and after notice by the Agent to the Company set forth in Section 6.1, the Agent may, on behalf of the Banks, without any period of grace, proceed to protect and enforce all or any of the rights with respect thereto contained in this Agreement, the Notes, or any other agreement evidencing or securing any debt of the Company to the Banks, or may proceed to enforce the payment of debts due or enforce any other legal or equitable rights. The Banks shall cooperate fully with each other and with the Agent in the enforcement of this Agreement, and the Notes, and to that end, each Bank (except any Bank which later revokes the following authorization in writing) authorizes the Agent to bring suit on behalf of the Banks in its own name or the name of the Banks, and to execute, on behalf of the Banks, all documents incidental thereto. All rights, remedies or powers conferred upon the Banks shall be deemed cumulative and not exclusive of any other rights, remedies or powers available. No delay or omission to exercise any right, remedy or power, shall impair any such right, remedy or power or shall be construed to be a waiver of any Event of Default or an acquiescence therein. Any such right, remedy or power may be exercised from time to time, independently or concurrently, and as often as shall be deemed expedient. No waiver of any Event of Default shall extend to any subsequent Event of Default. No single or partial exercise of any right, remedy, or power shall preclude other or further exercise thereof. The Company covenants that if an Event of Default shall happen and be continuing, it will pay reasonable attorneys' fees and costs of court incurred in collecting the amounts due pursuant to this Agreement.

ARTICLE 7

AGENT; BANKS

7.1 Appointment and Powers. Republic National Bank of Dallas is hereby appointed Agent hereunder, and under all agreements contemplated herein, and each of the Banks irrevocably

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authorizes the Agent as agent of such Bank to take such acts on its behalf under the provisions of this Agreement, and under all agreements contemplated herein, and to exercise such powers hereunder, and under all agreements contemplated herein, as are specifically delegated to the Agent by the terms hereof and thereof, together with such powers as are reasonably incidental thereto.

7.2 Conditions of Acting as Agent. The Agent agrees to act as such upon the following expressed conditions:

(a) The Agent may execute any of its duties hereunder by or through agents or employees, and shall be entitled to advice of counsel concerning all matters pertaining to the agency hereby created and its duties hereunder. Each Bank agrees to reimburse the Agent in the amount of its pro rata share of any out-of-pocket expenses incurred on behalf of the Banks, and of any counsel fees and compensations of agents and employees paid for services rendered on behalf of the Banks, agreed to be reimbursed by the Company, but not so reimbursed. The Company agrees to pay the Agent its reasonable out-of-pocket expenses, including attorneys' fees, incurred by the Agent in the negotiation, preparation, execution, and closing of this Agreement, and in connection with the administration of this Agreement, and in connection with amendments, consents, waivers, and requests therefor by the Company or agreed to by the Company and the Banks.

(b) Neither the Agent nor any of its officers, directors, agents or employees shall be liable for any action taken or omitted to be taken by it or them hereunder or in connection herewith, except for its, his or their own gross negligence or willful misconduct.

(c) The Agent shall not be responsible to the Banks for any statements, warranties, or representations of the Company in connection with this Agreement or any borrowing hereunder, or be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements hereof on the part of the Company.

(d) The Agent shall be entitled to rely upon any Note, notice, consent, certificate, affidavit, letter, telegram, statement, order or other documents believed to be genuine and correct and to have been signed or sent by the proper person or persons and, in respect of legal matters, on the opinion of counsel selected by it.

(e) Republic National Bank of Dallas or any successor Agent may resign as Agent at any time upon written notice to the Company and other Banks. Should Republic National Bank of Dallas or any successor Agent ever cease to be a Bank herein, or should Republic National Bank of Dallas or any successor Agent ever resign as Agent, the Bank which is appointed by Banks holding at least 66-2/3% in principal amount of the Notes (or if no Notes are

outstanding, Banks having at least 66-2/3% of the Commitments) shall forthwith become the Agent, and the Company and Banks shall execute such documents as any Bank may reasonably request to reflect such change.

(f) With respect to its Commitment, Loans made by it and Notes issued to it, the Agent shall have the same rights and powers hereunder as a Bank and may exercise the same as though it were not the Agent, and the term, "Bank" or "Banks" shall, unless the context otherwise indicates, include the Agent in its individual capacity.

7.3 Share of Losses. The Company and the Banks agree that any sums recovered by any Bank in excess of its pro rata share shall be shared among the Banks, based upon the amounts of their respective Commitments, or, if Loans are outstanding, based on the amount of Loans which each holds. If, however, all Loans shall not be paid in full, principal and interest, the Banks shall share the loss pro rata based upon the amount of their respective Commitments. If a Bank shall be required to return to the Company or any Subsidiary or any receiver or trustee of the Company or any Subsidiary all or part of any such excess payment, the other Banks upon demand shall return to the Bank which originally received such payment any portion of such payment delivered to the other Banks. Notwithstanding anything to the contrary contained herein or in the Credit Agreement, after maturity pursuant to Section 6.1 all sums recovered shall be shared among the Banks which are parties to this Agreement and Banks which are parties to the Credit Agreement pro rata according to the amount of Loans (as that term is defined in each Agreement) which each holds.

7.4 Banks' Obligations Several. The obligations of the Banks hereunder are several. Failure of a Bank to make Loans in accordance with its Commitment shall not relieve any other Bank of its obligations hereunder; but in no event shall a Bank be required to make Loans in an amount in excess of its Commitment.

7.5 Indemnity. The Banks agree to indemnify the Agent against all loss, costs, liability and expense resulting from any action taken or omitted to be taken in good faith by it in its capacity as Agent under this Agreement to the extent of the Banks' pro rata portions based upon the amount of their respective Commitments, of any loss, costs, liability and expense, unless caused by the Agent's gross negligence or willful misconduct.

7.6 Assignment. A Bank may assign all or any part of its Note to any one or more assignees, provided that (i) no assignment shall relieve the assigning Bank of any of its obligations under this Agreement, (ii) no assignee shall have any rights under this Agreement against a Bank other than the assignor, nor against the Company or any Subsidiary, and (iii) no Bank may assign all of its Note before maturity without the consent of the Company and the Agent, such consent not to be unreasonably withheld.

7.7 Amendment. This Agreement may not be amended or modified except by the written agreement of the Company and Banks holding at least sixty-six and two-thirds percent (66-2/3%) in principal amount of the Notes (or if no Notes are outstanding, Banks having at least sixty-six and two-thirds percent (66-2/3%) of the aggregate Commitments hereunder); provided that, all parties must agree to change the amount of the Commitments, the amount of any Loans, any interest rate, the commitment fee, any provision for maintenance of compensating balances, any term of any Notes, the requirements of Section 2.5(f) or Section 4.3, or this Section 7.7.

ARTICLE 8

MISCELLANEOUS

8.1 Notices. Unless otherwise provided herein, all notices, requests, consents, and demands shall be in writing and shall be mailed postage prepaid to the respective addresses specified herein, or, as to any party, to such other address as may be designated by it in written notice to all of the parties. All notices, requests, consents and demands hereunder will be effective when duly deposited in the mails or delivered to the telegraph company addressed as aforesaid.

8.2 Waivers and Consents. The Company may take any action prohibited in this Agreement, or omit to perform any act required herein to be performed by it, upon receipt by the Agent of the written request of the Company, and receipt by the Company of the written consent thereto by Banks holding at least sixty-six and two-thirds percent (66-2/3%) in principal amount of the Notes (or if no Notes are outstanding, Banks having at least sixty-six and two-thirds percent (66-2/3%) of the aggregate Commitments hereunder); provided that, all Banks must consent to the waiver of any Event of Default described in Section 6.1(a) or Section 6.1(b), or to the breach of or failure to comply with any of the provisions of Section 2.5(f) or Section 4.3.

8.3 Survival of Agreements. All covenants, agreements, representations, and warranties made herein shall survive the execution and the delivery of this Agreement and all other documents contemplated herein. All statements contained in any certificate or other instrument delivered by the Company hereunder shall be deemed to constitute representations and warranties made by the Company.

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8.4 Parties in Interest. Subject to the provisions of Section 7.6, all covenants and agreements contained in this Agreement and all other documents contemplated herein shall bind and inure to the benefit of the respective successors and assigns of the parties hereto, except that the Company may not assign its rights hereunder without the prior written consent of all of the Banks.

8.5 Interest Calculation. Daily interest payable on the Notes, and daily commitment fee, shall be at the rates set forth in this Agreement, divided by 360. Each change in the interest rate shall be effective as of the opening of business on the date of each change in the Prime Rate of the Agent.

8.6 Maximum Interest Rate. Regardless of any provision herein or in any agreement or instrument evidencing or securing any debt hereunder, the Banks shall never be entitled to receive, collect, or apply, as interest on the Loans, any amount in excess of the maximum rate of interest permitted to be charged by applicable law, and, in the event any Bank shall ever receive, collect or apply, as interest, any such excess, such amount which would be excessive interest shall be applied to the reduction of principal; and, if the principal is paid in full, then any remaining excess shall forthwith be paid to the Company.

8.7 Governing Law. This Agreement and all agreements contemplated herein shall be deemed contracts made under the laws of Texas, and shall be construed and enforced in accordance with and governed by the laws of Texas. Without excluding any other jurisdiction, the Company agrees that the courts of Texas will have jurisdiction over proceedings in connection herewith, and hereby appoints the Secretary of State of Texas as its agent for service of process.

8.8 Titles. The titles to paragraphs of this Agreement are inserted for convenience only and do not constitute a part of the text hereof.

8.9 Severability. The unenforceability or invalidity as determined by a court of competent jurisdiction, of any provision or provisions of this Agreement shall not render unenforceable or invalid any other provision or provisions hereof.

8.10 Exceptions to Covenants. The Company shall not be deemed to be permitted to take any action or fail to take any action which is permitted as an exception to any of the covenants contained herein or which is within the permissible limits of any of the covenants contained herein if such action or omission would result in the breach of any other covenant contained herein.

8.11 Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, and any of the parties hereto may execute this Agreement by signing any such counterparts.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first written above.

DYNALECTRON CORPORATION

By_____

Its _____

SPECIFIED PERCENTAGE:

22-2/9%

REPUBLIC NATIONAL BANK OF DALLAS
P. O. Box 5961
Dallas, Texas 75222
Attn: J. Kendall Whiting
Vice President

By_____
J. Kendall Whiting
Vice President

22-2/9%

FIRST NATIONAL BANK OF BOSTON
100 Federal Street
Boston, Massachusetts 02110
Attn: Craig H. Deery
Vice President

By_____
Craig H. Deery
Vice President

22-2/9%

UNITED VIRGINIA BANK/NATIONAL
515 King Street
Alexandria, Virginia 22341
Attn: Joseph P. Rockhill
Vice President

By_____
Joseph P. Rockhill
Vice President

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22-2/9%

THE BANK OF NEW YORK
48 Wall Street
New York, New York 10015
Attn: Arthur M. Pivirotto, Jr.
Vice President

By_____
Arthur M. Pivirotto, Jr.
Vice President

11-1/9%

HOUSTON NATIONAL BANK
1010 Milam Street
Houston, Texas 77001
Attn: John Stephenson
National Account Officer

By_____
John Stephenson
National Account Officer

REPUBLIC NATIONAL BANK OF DALLAS, AGENT
P. O. Box 5961
Dallas, Texas 75222
Attn: J. Kendall Whiting
Vice President

By_____
J. Kendall Whiting
Vice President

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EXHIBIT "A"

DYNALECTRON CORPORATION

REVOLVING CREDIT NOTE

Dallas, Texas _____, 197__

For value received, the undersigned, DYNALECTRON CORPORATION, a Delaware corporation ("the Company"), promises to pay to the order of
("Bank") at its banking office in _____ in lawful money of the United States of America, the principal sum of $_____ or such lesser unpaid principal balance from time to time hereunder, as indicated on the reverse side hereof. The unpaid principal sum due upon this Revolving Credit Note, unless sooner paid, shall be payable on December 31, 1979.

The unpaid amount of this Revolving Credit Note from time to time outstanding shall bear interest before and after maturity at the rates set out in the Agreement, described below, but no higher than the highest lawful rate. Interest is payable as it accrues on March 31, June 30, September 30, and December 31, of each year, beginning March 31, 1977, and at maturity.

This Revolving Credit Note is issued pursuant to a Revolver-Term Loan Agreement among the Company, Bank, and other parties dated _____, 1976 ("Agreement"), to which reference is made for a statement of the rights and obligations of the Bank and the duties and obligations of the Company in relation thereto.

If an Event of Default under the Agreement shall occur, unpaid principal of and interest on this Revolving Credit Note may be declared due and payable in the manner and with the effect provided thereunder.

The Company waives demand, presentment for payment, notice of dishonor, protest and notice of protest, and diligence in collection or bringing suit, and agrees that the holder hereof may extend the time for payment, accept partial payment or release or exchange security or collateral, without discharging or releasing it.

The Company agrees to pay reasonable attorney's fees and costs of court incurred by the holder in collecting this Revolving Credit Note if past due and unpaid at maturity.

DYNALECTRON CORPORATION

By _____

Its _____

By _____

Its _____

[Reverse of Note]

DATE	AMOUNT OF LOAN	AMOUNT OF PRINCIPAL	UNPAID PRINCIPAL BALANCE OF NOTE	RATE OF INTEREST IN EFFECT	AMOUNT OF INTEREST PAID	NAME OF PERSON MAKING NOTATION

EXHIBIT "B"

DYNALECTRON CORPORATION

Dallas, Texas December 31, 1979

For value received, the undersigned, DYNALECTRON CORPORATION, a Delaware corporation ("the Company"), promises to pay to the order of
("Bank") at its banking office in _____, in lawful money of the United States of America, the principal sum of $_____ on December 31, 1983, or sooner as hereafter provided, with interest on the unpaid balance of principal to maturity at an annual percentage rate which is one hundred fifteen percent (115%) of the Prime Rate of Agent (as defined in the Agreement, described below) in effect from day to day, but no higher than the highest lawful rate. Past due principal and interest shall bear interest as provided in the Agreement, described below.

This is a Term Note issued pursuant to a Revolver-Term Loan Agreement dated _____, 1976, among the Company, Bank, and other parties ("Agreement"), to which reference is hereby made for a statement of the rights and obligations of the holder of this Term Note and the duties and obligations of the Company in relation thereto.

The unpaid principal of this Term Note, unless sooner paid, shall be due and payable in sixteen (16) consecutive equal quarterly installments of $_____ each payable on each March 31, June 30, September 30, and December 31, during the term hereof, beginning March 31, 1980, until December 31, 1983, when all unpaid principal and interest hereon shall be due and payable. Interest is payable on the same days as principal.

The principal of this Term Note may be prepaid in whole or in part at any time without premium or penalty, but only as provided in the Agreement.

If an Event of Defualt under the Agreement shall occur, the unpaid principal of and interest on this Term Note may become or be declared due and payable in the manner and with the effect provided in the Agreement.

The Company waives demand, presentment for payment, notice of dishonor, protest and notice of protest, and diligence in collection and bringing suit, and agrees that the holder hereof may extend the time for payment, accept partial payment or release or exchange security or collateral, with discharging or releasing it.

The Company agrees to pay reasonable attorney's fees and costs of court incurred by the holder in collecting this Term Note, if any installment hereof shall be past due and unpaid at maturity.

DYNALECTRON CORPORATION

By_____

Its_____

By_____

Its_____

EXHIBIT "C"

GUARANTY

IN CONSIDERATION of the extension of credit by the lenders listed on Exhibit "A" attached hereto and made a part hereof (herein called "Lenders") to DYNALECTRON CORPORATION, a Delaware corporation (herein called "Debtor") the undersigned (herein called "Guarantors") agree jointly and severally as follows:

Guarantors agree to pay Lenders, their successors and assigns, at the places provided for in the Agreements described on Exhibit "A" (herein called "the Agreements"), when due or declared due, all debt or other liability which the Debtor now owes or hereafter shall owe Lenders pursuant to the Agreements and the notes issued pursuant to the Agreements, and any extensions, renewals or rearrangements thereof, and all interest thereon, and all expenses of collection, including reasonable attorneys' fees (all of which is called "Debt" herein).

Guarantors waive diligence on the part of Lenders in collection of Debt, diligence in preserving the liability of any person on Debt, and diligence in bringing or prosecuting any suit to enforce collection of Debt from either Debtor or Guarantors. Guarantors waive demand, presentment, notice of dishonor, protest and notice of protest, notice of extensions and renewals of Debt, notice of acceptance of this Guaranty, other notice of advances made or credit extended in reliance thereon, notice of failure of Debtor to pay Debt as it matures, notice of any adverse change in the financial condition of Debtor, and every other notice of every kind.

Should the status of any one or more Lenders, Debtor or Guarantors change, through merger, consolidation, or otherwise, this Guaranty shall continue and shall cover Debt under the new status.

This is a continuing Guaranty of payment and not of collection.

Guarantors shall be liable for Debt even though its creation was ultra vires Debtor or in excess of Debtor's borrowing limits, and even though it was incurred by a person or persons acting for Debtor in excess of authority granted by Debtor.

If any payment by Debtor to any Lender is avoided under any statute or law of the United States or any state relating to bankruptcy, insolvency, or rights of debtors, the liability of Guarantors shall continue in full force and effect, and they shall be liable to pay Lenders upon demand any such sums which any Lender shall be obligated to repay to Debtor or to pay to any other person.

If any Lender shall give written notice of the institution of any action or proceeding against Debtor, Guarantors shall be conclusively bound by the final adjudication in any such proceeding, and by any final judgment or decree therein.

This Guaranty shall inure to the benefit of any transferee, assignee, or holder of Debt or any part thereof.

Suit may be brought against Guarantors, jointly and severally, or against any one or more of them less than all, by any one or more Lenders, without impairing the rights of Lenders, their successors or assigns, against the others of Guarantors, and without impairing the rights of the other Lenders not bringing suit. Any Lender may compound with any Guarantor for such sum as it may see fit and release such Guarantor, or any Guarantor, from further liability to said Lender without impairing the rights of said Lender or any other Lender or Lenders to demand and collect the balance of Debt from any other Guarantors not so released, and without impairing the rights of any other Lender or Lenders against the Guarantor so released. But Guarantors agree that such compounding and release shall in no respect impair the rights of Guarantors as among themselves.

Guarantors agree that this Guaranty shall be performed at the places set out in the Agreements, and agree that the courts of the respective states set out in the Agreements shall have jurisdiction over proceedings in connection with this Guaranty. If Guarantors do not have agents for service in the states set out in the Agreements they hereby appoint the Secretaries of said respective states as their agents for service of process.

The unenforceability or invalidity, as determined by a court of competent jurisdiction, of any provision or provisions of this Guaranty shall not render unenforceable or invalid any other provision or provisions hereof. If any provision or provisions of this Guaranty shall be determined by a court of competent jurisdiction to be unenforceable against any Guarantor, the same shall nevertheless be and remain enforceable against the other Guarantors.

Debt is presently unsecured by collateral. Should all or any part of Debt become secured, Guarantors hereby waive notice of same, or notice of any release or substitution of any collateral.

Should all or any part of Debt become secured, exercise by any Lender of any right conferred upon it by any mortgage, deed of trust, security agreement, pledge agreement or other instrument by which any Debt is directly or indirectly secured, shall be wholly discretionary with said Lender, and no such exercise by any Lender shall affect or impair the rights of the other Lenders hereunder. No Lender's exercise or failure to exercise any right or powers shall end or reduce the obligation of Guarantors hereunder. Any Lender may pursue any available remedy against Debtor or against any collateral or other security without ending or reducing the obligations of Guarantors hereunder, even though pursuit of such remedy or remedies may result in loss to Guarantors of a right of subrogation or to proceed against Debtor for reimbursement. Guarantors shall have no right of subrogation, reimbursement, contribution or indemnity, until all Debt is paid in full.

Any Lender may from time to time in its discretion and with or without valuable consideration allow substitution or withdrawal of collateral or may release collateral without ending or reducing the obligation of Guarantors hereunder.

No Lender shall be required to pursue any remedies against Debtor, any collateral, endorsers, or any other security, before requiring payment from Guarantors hereunder.

This Guaranty may be executed in multiple counterparts, all of which together shall constitute one and the same instrument.

EXECUTED this ____ day of _____, 197___.

GUARANTORS

EXHIBIT "A"
TO EXHIBIT "C"

LENDERS AND AGREEMENTS

The following are the "Lenders" and the "Agreements" referred to in the Guaranty to which this Exhibit "A" is attached.

1. The First National Bank of Fort Worth ("Fort Worth"), pursuant to Loan Agreement between Fort Worth and Debtor dated September 14, 1976, providing for a one million dollar term loan to Debtor.

2. Republic National Bank of Dallas, First National Bank of Boston, United Virginia Bank/National, The Bank of New York and Houston National Bank ("the Banks"), pursuant to Revolver-Term Loan Agreement dated as of December 31, 1976, among Debtor, the Banks and Republic National Bank of Dallas as agent for the Banks, providing for a four million five hundred thousand dollar revolver-term credit facility.

3. Republic National Bank of Dallas, First National Bank of Boston, United Virginia Bank/National, The Bank of New York and Houston National Bank ("the Banks"), pursuant to Credit Agreement dated as of December 31, 1976, among the Debtor, the Banks and Republic National Bank of Dallas as agent for the Banks, providing for a four million five hundred thousand dollar short-term renewable line of credit.

EXHIBIT "D"

CREDIT AGREEMENT

($4,500,000.00)

AGREEMENT dated as of December 31, 1976, among DYNALECTRON CORPORATION, a Delaware corporation having its principal office and its mailing address at 1313 Dolley Madison Boulevard, McLean, Virginia 22101 (herein called "the Company"), the undersigned Banks (each herein called "a Bank" or collectively called "the Banks") and REPUBLIC NATIONAL BANK OF DALLAS, as agent for the Banks hereunder (in such capacity herein called "the Agent").

BACKGROUND

The Company has applied to the Banks for lines of credit in an aggregate principal amount at any one time outstanding not in excess of $4,500,000.00. The proceeds of the lines of credit are to be used for the Company's general business purposes. Each Bank is willing to make a line of credit available to the Company, subject to the terms and conditions hereinafter set forth. In consideration of the mutual covenants and agreements contained herein, and other good and valuable consideration, receipt of which is acknowledged by all the parties hereto, the parties agree as follows:

ARTICLE 1

DEFINITIONS

The terms defined in this Article 1 (except as otherwise expressly provided in this Agreement) for all purposes shall have the following meanings:

1.1 "Closing Date" shall mean the date of the first "Loan" under the Revolver-Term Loan Agreement, as that term is defined therein.

1.2 "Commitment" shall mean, as to a Bank, the aggregate obligation of such Bank to make Loans under Section 2.1 of this Agreement for the period beginning on the Closing Date and ending on June 30, 1977 (or such later dates pursuant to any extensions pursuant to Section 2.1(a)) which at no time shall exceed such Bank's Specified Percentage of $4,500,000.00. "Commitments" shall mean the aggregate obligations of the Banks to make such Loans.

1.3 "Loan" or "Loans" shall mean the advances to the Company pursuant to this Agreement.

1.4 "Note" or "Notes" shall mean any and all Notes evidencing Loans.

1.5 "Specified Percentage" shall mean, as to a Bank, the percentage set opposite such Bank's signature below.

1.6 "Event of Default" shall mean any of the events specified in Article 6, providing that there has been satisfied any requirement in connection with such event for the giving of notice, or the lapse of time, or the happening of any further condition, event or act, and "Default" shall mean any of such events, whether or not any such requirement has been satisfied.

1.7 "Revolver-Term Loan Agreement" shall mean the Revolver-Term Loan Agreement dated as of December 31, 1976, among the Company, certain Banks listed therein and Republic National Bank of Dallas, as Agent for the Banks, as the same may from time to time be amended. Unless otherwise specifically defined herein, all capitalized terms in this Agreement shall have the same meanings as in the Revolver-Term Loan Agreement.

ARTICLE 2

LOANS

2.1 Lines of Credit. Each Bank, severally and not jointly, agrees, upon the terms and subject to the conditions of this Agreement, to make Loans to the Company from time to time from the Closing Date until June 30, 1977, or until the Commitments of the Banks shall be terminated, up to, but not exceeding in aggregate principal amount at any time outstanding, such Bank's Commitment. Within such limit, the Company may borrow, repay, and reborrow, without premium or penalty, under this Section 2.1 from the Closing Date to and including June 30, 1977, when all Loans shall be payable, provided that, (i) no Loans hereunder shall be made at any time when the outstanding principal amount of Revolving Credit Loans is less than the Commitments under the Revolver-Term Loan Agreement, and (ii) subject to the loss-sharing provisions of Section 7.3 hereof, all repayments of principal under this Agreement and the Revolver-Term Loan Agreement shall first be applied to the Loans hereunder.

DYNCORP 00494

(a) Interest. The Loans shall bear interest prior to maturity at an annual percentage rate equal to the Prime Rate of the Agent as the same shall be in effect from day to day, but no higher than the highest lawful rate. Interest shall be payable as it accrues on March 31, 1977, and on each June 30, September 30, December 31 and March 31 thereafter, and at maturity.

(b) Commitment Fee. The Company shall pay to each Bank a commitment fee at a rate of one-half percent (1/2%) per annum on the daily average unused amount of such Bank's Commitment from the Closing Date to the date upon which the Commitments of the Banks expire or are terminated in full. Accrued commitment fees shall be paid on the same days as interest is due (whether or not any interest is payable), beginning March 31, 1977.

(c) Balances. Subject to the provisions of Section 8.6 of this Agreement, the Company shall maintain with each Bank during each calendar quarter average collected balances in excess of those necessary to support account activity (but only to the extent that such activity is not supported by balances kept pursuant to the requirements of the Revolver-Term Loan Agreement), and in addition to those required under the Revolver-Term Loan Agreement, in an amount no less than ten percent (10%) of such Bank's Commitment plus ten percent (10%) of the average unpaid amount of such Bank's Loans from time to time outstanding. Upon notice from any Bank of a deficiency during any quarter in the balances to be maintained pursuant hereto, the Company shall pay to the notifying Bank, within ten (10) days of any such notice, to compensate said Bank for said deficiency, a fee equal to the amount of the deficiency for said quarter, times the number of days in said quarter divided by three hundred sixty (360), times one hundred twenty-five percent (125%) of the average interest rate during the quarter as set forth in Section 2.1(a); however, the amount of any deficiency shall be reduced by any excess balances maintained in the next following quarter, and no notice shall be given hereunder until after the end of the quarter next following the quarter during which a deficiency occurs. If the Company shall have a deficiency in any quarter, balances maintained shall be applied (i) first to the amount necessary to support account activity, then (ii) to the requirements of the Revolver-Term Loan Agreement, then (iii) to the requirements of this Section 2.1(c).

(d) Notes. On the Closing Date, the Company agrees to deliver to the Agent for each Bank a Note, dated as of the Closing Date, in the form of Exhibit "A", properly executed, with all blanks appropriately filled, in the amount of such Bank's Commitment on the Closing Date. Each Bank shall, and is hereby authorized by the Company to, set forth on the reverse side of its Note the amount of each Loan made by it hereunder and any prepayment thereof and the other information provided on such reverse side.

DYNCORP 00495

(e) Manner of Borrowing. The Company shall give each Bank at its office specified below, at least one Business Day's prior notice (if telephonic, to be confirmed by telex or in writing), specifying the amount and date of each borrowing pursuant to this Section 2.1, each borrowing (and repayment) to be in the aggregate amount of $90,000.00, or in integral multiples thereof. On the date specified, each Bank shall deposit in the general deposit account of the Company with it the amount of the Loan in question.

(f) Renewal Option. Notwithstanding anything in this Section 2.1 to the contrary, each Bank shall have the right, on or before May 31, 1977 (and thereafter on or before thirty (30) days prior to the last day of any period of extension provided for herein) to review the Company's general and financial condition, and, in its sole discretion, decide whether or not to continue to make its Commitment available to the Company for an additional twelve (12) months; such decision shall be submitted in writing to the Agent. If, prior to said date, the Agent has not notified the Company that the Commitments shall continue to be available, the Loans shall be due and payable and the Commitments shall terminate on June 30, 1977 (or, as the case may be, on the last day of any period of extension provided for herein). Notwithstanding the provisions of Section 7.4 or any other reference to the several nature of the Banks' obligations hereunder, each Bank's agreement to extend its Commitment for any additional period of time shall be subject to the additional condition precedent that the Company shall have received, within thirty (30) days after the Loan would otherwise be due and payable, Commitments for such period of extension aggregating $4,500,000.00.

(g) Partial Termination by Company. To the extent that it shall not violate any of the provisions of the Revolver-Term Loan Agreement, the Company shall have the right at any time or from time to time upon not less than ten (10) days' prior telephonic notice to the Agent (to be confirmed by telex or in writing), which shall notify the Banks, to terminate the Commitments of the Banks, in whole or in part, provided that each partial termination shall be in an aggregate amount which is an integral multiple of $90,000.00, and shall reduce the Commitments of the Banks proportionately.

2.2 Pro Rata Treatment. Each borrowing from and change in the Commitments of the Banks hereunder shall be made pro rata according to the respective Commitments. Each payment and prepayment on the Notes shall be made to the Banks pro rata in accordance with the unpaid principal amount of the Notes held by each Bank.

DYNCORP 00496

2.3 Payments, Etc. All payments of principal, interest, and other charges hereunder shall be made in lawful money of the United States of America in immediately available funds at the respective banking offices of the Banks. If any interest, principal or fee falls due on other than a Business Day, then such due date shall be extended to the next succeeding Business Day, and interest will be payable in respect to such extension.

2.4 Conditions Precedent to First Loan. The obligation of each Bank to make the first Loan to be made by it hereunder is subject to the satisfaction of the following conditions:

(a) No Default. There shall exist no Event of Default or Default on the Closing Date.

(b) Representations and Warranties. The representations and warranties contained in Article 3 shall be true and correct on and as of the Closing Date, with the same effect as though made on and as of the Closing Date.

(c) Certificate. The Company shall have delivered to the Agent an Officer's Certificate, dated as of the Closing Date, certifying (i) to the matters covered by the conditions specified in subparagraphs (a) and (b) of this Section 2.4, (ii) that the Company has performed and complied with all agreements and conditions required to be performed and complied with by it prior to or on the Closing Date, (iii) to the name and signature of each officer of the Company authorized to sign Notes and to borrow under this Agreement, and (iv) to such other matters in connection with this Agreement which the Agent shall determine to be advisable.

(d) Proceedings. All corporate proceedings of the Company taken in connection with the transactions contemplated by this Agreement and all documents incidental thereto shall be satisfactory in form and substance to the Agent and Special Counsel to the Banks; and the Agent shall have received copies of all documents, or other evidence which the Agent or Special Counsel to the Banks may reasonably request in connection with said transactions, and copies of records and all corporate proceedings in connection therewith, in form and substance satisfactory to the Agent and Special Counsel to the Banks.

(e) Notes. The Company shall have delivered the Notes to the Agent for each Bank dated as of the Closing Date, appropriately executed, with all blanks appropriately filled.

DYNCORP 00497

(f) Revolver-Term Loan Agreement. The Company shall have complied with all conditions precedent to the first Revolving Credit Loans to be made pursuant to the Revolver-Term Loan Agreement.

2.5 Conditions Precedent to All Loans. No Bank shall be obligated to make any Loan, including its first Loan, if there is in existence at such time an Event of Default or Default; or if any of the representations and warranties contained in Article 3 of this Agreement shall be false or untrue in any material respect on the date of such Loan, as if made on such date. Each request by the Company for a Loan shall constitute a representation by the Company that there is not at the time of such request an Event of Default or Default, and that all representations and warranties in Article 3 of this Agreement are true and correct on and as of the date of each such request.

ARTICLE 3

REPRESENTATIONS AND WARRANTIES

The Company represents, warrants and covenants that all representations, warranties and covenants contained in the Revolver-Term Loan Agreement are true and correct.

ARTICLE 4

AFFIRMATIVE COVENANTS

From the date hereof, and so long as the Commitments of the Banks shall be outstanding and until payment in full of all principal and interest due on Loans outstanding under this Agreement, and the performance of all other obligations of the Company under this Agreement, the Company shall perform and observe, and where applicable, cause all Subsidiaries to perform and observe, all of the provisions of Article 4 of the Revolver-Term Loan Agreement as now written and agreed upon, as if they were incorporated herein; provided that any waiver, amendment, or consent with respect to the Revolver-Term Loan Agreement shall be binding upon the Banks without the consents required by Section 7.7 and 8.2 of this Agreement. The Company shall, and, where applicable, cause its Subsidiaries to perform all of the covenants in said Article of the Revolver-Term Loan Agreement, whether or not the Revolver-Term Loan Agreement shall have been terminated or any indebtedness under the Revolver-Term Loan Agreement shall be outstanding.

DYNCORP 00498

ARTICLE 5

NEGATIVE COVENANTS

From the date hereof, and so long as the Commitments of the Banks shall be outstanding and until payment in full of all principal and interest due on Loans outstanding under this Agreement, and the performance of all other obligations of the Company under this Agreement, the Company shall not, nor shall it permit any Subsidiary to, breach any of the covenants or prohibitions contained in Article 5 of the Revolver-Term Loan Agreement as now written and agreed upon, as if they were incorporated herein; provided that, any waiver, amendment, or consent with respect to the Revolver-Term Loan Agreement shall be binding on the Banks without the consents required by Sections 7.7 and 8.2 of this Agreement. The Company shall, and, where applicable, cause its Subsidiaries to perform all of the covenants in said Article of the Revolver-Term Loan Agreement, whether or not the Revolver-Term Loan Agreement shall have been terminated or any indebtedness under the Revolver-Term Loan Agreement shall be outstanding.

ARTICLE 6

EVENTS OF DEFAULT; REMEDIES

6.1 Events of Default. If any one or more of the following events (herein called "Events of Default") shall occur and be continuing for any reason whatsoever (and whether such occurrence shall be voluntary or involuntary or come about or be effected by operation of law or otherwise):

(a) the Company shall fail to pay any principal of any Note when the same shall become due, either by the terms thereof or otherwise as herein provided; or

(b) the Company shall fail to pay any interest on any Note, or any commitment fee, for more than ten (10) days after the date due; or

(c) any representation or warranty made by the Company herein or in any writing furnished in connection with or pursuant to this Agreement shall be false or misleading in any material respect on the date as of which made; or

(d) the Company shall default in the performance or observance of any other agreement, term or condition contained in this Agreement and such default shall not have been remedied within thirty (30) days after written notice thereof shall have been received by the Company from the Agent; or

(e) any of the Events of Default described in Sections 6.1(c) or 6.1(g) of the Revolver-Term Loan Agreement as now written and agreed upon, as if they were incorporated herein, shall occur, unless waived or consented to by the Banks which are parties to

DYNCORP 00499

the Revolver-Term Loan Agreement, as provided therein;

then and in every such event, the Agent shall, upon written request of Banks holding at least sixty-six and two-thirds percent (66-2/3%) in principal amount of the Notes (or if no Notes are outstanding, by Banks having at least sixty-six and two-thirds percent (66-2/3%) of the aggregate Commitments hereunder), by notice to the Company, terminate the Commitments of the Banks and/or if Notes are then outstanding, declare the principal of and interest on all Notes immediately due and payable, and such amounts shall be immediately due and payable, without presentment, demand, protest, notice of protest, or other notice of any kind, all of which are hereby expressly waived.

6.2 Interest After Default. All past-due obligations of the Company to the Banks, until paid, shall bear interest at the highest lawful rate in Texas.

6.3 Remedies. If one or more Events of Default shall happen and be continuing, and after notice by the Agent to the Company set forth in Section 6.1, the Agent may, on behalf of the Banks, without any period of grace, proceed to protect and enforce all or any of the rights with respect thereto contained in this Agreement, the Notes, or any other agreement evidencing or securing any debt of the Company to the Banks, or may proceed to enforce the payment of debt due or enforce any other legal or equitable rights. The Banks shall cooperate fully with each other and with the Agent in the enforcement of this Agreement, and the Notes, and to that end, each Bank (except any Bank which later revokes the following authorization in writing) authorizes the Agent to bring suit on behalf of the Banks in its own name or the name of the Banks, and to execute, on behalf of the Banks in its own name or the name of the Banks, all documents incidental thereto. All rights, remedies or powers conferred upon the Banks shall be deemed cumulative and not exclusive of any other rights, remedies or powers available. No delay or omission to exercise any right, remedy or power, shall impair any such right, remedy or power, or shall be construed to be a waiver of any Event of Default or an acquiescence therein. Any such right, remedy or power may be exercised from time to time, independently or concurrently, and as often as shall be deemed expedient. No waiver of any Event of Default shall extend to any subsequent Event of Default. No single or partial exercise of any right, remedy, or power shall preclude other or further exercise thereof. The Company covenants that if an Event of Default shall happen and be continuing, it will pay reasonable attorney's fees and costs of court incurred in collecting the amounts due pursuant to this Agreement.

DYNCORP 00500

ARTICLE 7

AGENT; BANKS

7.1 Appointment and Powers. Republic National Bank of Dallas is hereby appointed Agent hereunder, and under all agreements contemplated herein, and each of the Banks irrevocably authorizes the Agent as agent of such Bank to take such acts on its behalf under the provisions of this Agreement, and under all agreements contemplated herein, and to exercise such powers hereunder, and under all agreements contemplated herein, as are specifically delegated to the Agent by the terms hereof and thereof, together with such powers as are reasonably incidental thereto.

7.2 Conditions of Acting as Agent. The Agent agrees to act as such upon the following expressed conditions:

(a) The Agent may execute any of its duties hereunder by or through agents or employees, and shall be entitled to advice of counsel concerning all matters pertaining to the agency hereby created and its duties hereunder. Each Bank agrees to reimburse the Agent in the amount of its pro rata share of any out-of-pocket expenses incurred on behalf of the Banks, and of any counsel fees and compensations of agents and employees paid for services rendered on behalf of the Banks, agreed to be reimbursed by the Company but not so reimbursed. The Company agrees to pay the Agent its reasonable out-of-pocket expenses, including attorneys' fees, incurred by the Agent in the negotiation, preparation, execution and closing of this Agreement, and in connection with the administration of this Agreement, and in connection with amendments, consents, waivers, and requests therefor by the Company or agreed to by the Company and the Banks.

(b) Neither the Agent nor any of its officers, directors, agents or employees shall be liable for any action taken or omitted to be taken by it or them hereunder or in connection herewith, except for its, his or their own gross negligence or willful misconduct.

(c) The Agent shall not be responsible to the Banks for any statements, warranties, or representations of the Company in connection with this Agreement or any borrowing hereunder, or be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements hereof on the part of the Company.

DYNCORP 00501

(d) The Agent shall be entitled to rely upon any Note, notice, consent, certificate, affidavit, letter, telegram, statement, order or other documents believed to be genuine and correct and to have been signed or sent by the proper person or persons and, in respect of legal matters, on the opinion of counsel selected by it.

(e) Republic National Bank of Dallas or any successor Agent may resign as Agent at any time upon written notice to the Company and other Banks. Should Republic National Bank of Dallas or any successor Agent ever cease to be a Bank herein, or should Republic National Bank of Dallas or any successor Agent ever resign as Agent, the Bank which is appointed by Banks holding at least 66-2/3% in principal amount of the Notes (or if no Notes are outstanding, Banks having at least 66-2/3% of the Commitments) shall forthwith become the Agent, and the Company and Banks shall execute such documents as any Bank may reasonably request to reflect such change.

(f) With respect to its Commitment, Loans made by it and Notes issued to it, the Agent shall have the same rights and powers hereunder as a Bank and may exercise the same as though it were not the Agent, and the term, "Bank" or "Banks" shall, unless the context otherwise indicates, include the Agent in its individual capacity.

7.3 Share of Losses. The Company and the Bank agree that any sums recovered by any Bank in excess of its pro rata share shall be shared among the Banks, based upon the amounts of their respective Commitments, or, if Loans are outstanding, based on the amount of Loans which each holds. If, however, all Loans shall be paid in full, principal and interest, the Banks shall share the loss pro rata based upon the amount of their respective Commitments. If a Bank shall be required to return to the Company or any Subsidiary or any receiver or trustee of the Company or any Subsidiary all or part of any such excess payment, the other Banks upon demand shall return to the Bank which originally received such payment any portion of such payment delivered to the other Banks. Notwithstanding anything to the contrary contained herein or in the Revolver-Term Loan Agreement, after maturity pursuant to Section 6.1 all sums recovered shall be shared among the Banks which are parties to this Agreement and Banks which are parties to the Revolver-Term Loan Agreement, pro rata according to the amount of Loans (as that term is defined in each Agreement) which each holds.

7.4 Banks' Obligations Several. The obligations of the Banks hereunder are several. Failure of a Bank to make Loans in accordance with its Commitment shall not relieve any other Bank of its obligations hereunder; but in no event shall a Bank be required to make Loans in an amount in excess of its Commitment.

7.5 Indemnity. The Banks agree to indemnify the Agent against all loss, costs, liability and expense resulting from any action taken or omitted to be taken in good faith by it in its capacity as Agent under this Agreement to the extent of the Commitments, of any loss, costs, liability and expense, unless caused by the Agent's gross negligence or willful misconduct.

DYNCORP 00502

7.6 Assignment. A Bank may assign all or any part of its Note to any one or more assignees, provided that (i) no assignment shall relieve the assigning Bank of any of its obligations under this Agreement, (ii) no assignee shall have any rights under this Agreement against a Bank other than the assignor, nor against the Company or any Subsidiary, and (iii) no Bank may assign all of its Note before maturity without the consent of the Company and the Agent, such consent not to be unreasonably withheld.

7.7 Amendment. This Agreement may not be amended or modified except by the written agreement of the Company and Banks holding at least sixty-six and two-thirds percent (66-2/3%) in principal amount of the Notes (or if no Notes are outstanding, Banks having at least sixty-six and two-thirds percent (66-2/3%) of the aggregate Commitments hereunder); provided that, all parties must consent to change the amount of the Commitments, the amount of the Loans, the interest rate, the commitment fee, any provision for maintenance of compensating balances, any term of any Note, or this Section 7.7.

ARTICLE 8

MISCELLANEOUS

8.1 Notices. Unless otherwise provided herein, all notices, requests, consents, and demands shall be in writing and shall be mailed postage prepaid to the respective addresses specified herein, or, as to any party, to such other address as may be designated by it in written notice to all of the parties. All notices, requests, consents and demands hereunder will be effective when duly deposited in the mails or delivered to the telegraph company, addressed as aforesaid.

8.2 Waivers and Consents. The Company may take any action prohibited in this Agreement, or omit to perform any act required herein to be performed by it, upon receipt by the Agent of the written request of the Company, and receipt by the Company of the written consent thereto by Banks holding at least sixty-six and two-thirds percent (66-2/3%) in principal amount of the Notes (or if no Notes are outstanding, Banks having at least sixty-six and two-thirds percent (66-2/3%) of the aggregate Commitments hereunder); provided that all Banks must consent to the waiver of any Event of Default described in Section 6.1(a) or Section 6.1(b).

8.3 Survival of Agreements. All covenants, agreements, representations, and warranties made herein shall survive the execution and the delivery of this Agreement and all other documents contemplated herein. All statements contained in any certificate or other instrument delivered by the Company hereunder shall be deemed to constitute representations and warranties made by the Company.

8.4 Parties in Interest. Subject to the provisions of Section 7.6, all covenants and agreements contained in this Agreement and all other documents contemplated herein shall bind and inure to the benefit of the respective successors and assigns of the parties hereto, except that the Company may not assign its rights hereunder without the prior written consent of all of the Banks.

8.5 Interest Calculation. Daily interest payable on the Notes, and daily commitment fee, shall be at the rates set forth in this Agreement, divided by 360. Each change in the interest rate shall be effective as of the opening of business on the date of each change in the Prime Rate of the Agent.

8.6 Maximum Interest Rate. Regardless of any provision herein or in any agreement or instrument evidencing or securing any debt hereunder, the Banks shall never be entitled to receive, collect, or apply, as interest on the Loans, any amount in excess of the maximum rate of interest permitted to be charged by applicable law, and, in the event any Bank shall ever receive, collect or apply, as interest, any such excess, such amount which would be excessive interest shall be applied to the reduction of principal; and, if the principal is paid in full, then any remaining excess shall forthwith be paid to the Company.

8.7 Governing Law. This Agreement and all agreements contemplated herein shall be deemed contracts made under the laws of Texas, and shall be construed and enforced in accordance with and governed by the laws of Texas. Without excluding any other jurisdiction, the Company agrees that the courts of Texas will have jurisdiction over proceedings in connection herewith, and hereby appoints the Secretary of State of Texas as its agent for service of process.

8.8 Titles. The titles to paragraphs of this Agreement are inserted for convenience only and do not constitute a part of the text hereof.

DYNCORP 00504

8.9 Severability. The unenforceability or invalidity as determined by a court of competent jurisdiction, or any provision or provisions of this Agreement shall not render unenforceable or invalid any other provision or provisions hereof.

8.10 Exceptions to Covenants. The Company shall not be deemed to be permitted to take any action or fail to take any action which is permitted as an exception to any of the covenants contained herein or which is within the permissible limits of any of the covenants contained herein if such action or omission would result in the breach of any other covenant contained herein.

8.11 Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, and any of the parties hereto may execute this Agreement by signing any such counterparts.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first written above.

DYNALECTRON CORPORATION

By_____

Its _____

SPECIFIED PERCENTAGE:

22-2/9%

REPUBLIC NATIONAL BANK OF DALLAS
P. O. Box 5961
Dallas, Texas 75222
Attn: J. Kendall Whiting
Vice President

By_____
J. Kendall Whiting
Vice President

DYNCORP 00505

FIRST NATIONAL BANK OF BOSTON
100 Federal Street
Boston, Massachusetts 02110
Attn: Craig H. Deery
Vice President

By_____
Craig H. Deery
Vice President

UNITED VIRGINIA BANK/NATIONAL
515 King Street
Alexandria, Virginia 22341
Attn: Joseph P. Rockhill
Vice President

By_____
Joseph P. Rockhill
Vice President

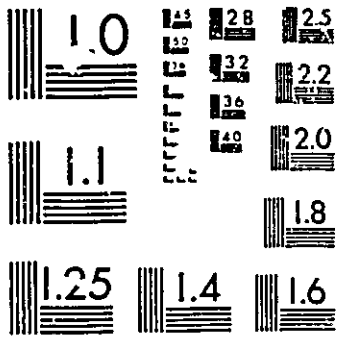
THE BANK OF NEW YORK
48 Wall Street
New York, New York 10015
Attn: Arthur M. Pivirotto, Jr.
Vice President

By_____
Arthur M. Pivirotto, Jr.
Vice President

HOUSTON NATIONAL BANK
1010 Milam Street
Houston, Texas 77001
Attn: John Stephenson
National Account Officer

By_____
John Stephenson
National Account Officer

DYNCORP 00506



MICROCOPY RESOLUTION TEST CHART
NATIONAL BUREAU OF STANDARDS 1963 A

DISCLOSURE®

THIS STATEMENT WAS FILMED WITH THIS DOCUMENT. IF THE PAGES OF THE DOCUMENT ARE LESS CLEAR THAN THIS STATEMENT IT IS DUE TO THE POOR PHOTOGRAPHIC QUALITY OF THE DOCUMENT.

REPUBLIC NATIONAL BANK OF DALLAS, AGENT
P. O. Box 5961
Dallas, Texas 75222
Attn: J. Kendall Whiting
Vice President

By_____
J. Kendall Whiting
Vice President

EXHIBIT "A" TO EXHIBIT "D"

DYNALECTRON CORPORATION

NOTE

Dallas, Texas _____, 197___

For value received, the undersigned, DYNALECTRON CORPORATION, a Delaware corporation ("the Company"), promises to pay to the order of
("Bank") at its banking office in _____ in lawful money of the United States of America, the principal sum of $_____ or such lesser unpaid principal balance from time to time hereunder, as indicated on the reverse side hereof. The unpaid principal sum due upon this Note, unless sooner paid, shall be payable on June 30, 1977.

The unpaid principal sum of this Note from time to time outstanding shall bear interest at an annual percentage rate equal to the Prime Rate of the Agent (as defined in the Agreement, described below) as the same shall exist from day to day, but no higher than the highest lawful rate, until maturity. Interest is payable as it accrues on March 31, June 30, September 30, and December 31, of each year, beginning March 31, 1977, and at maturity. Past due principal and interest shall bear interest as provided in the Agreement, described below.

This Note is issued pursuant to a Credit Agreement among the Company, Bank, and other parties dated _____, 1976 ("Agreement"), to which reference is made for a statement of the rights and obligations of the Bank and the duties of the Company in relation thereto.

If an Event of Default under the Agreement shall occur, unpaid principal of and interest on this Note may be declared due and payable in the manner and with the effect provided thereunder.

The Company waives demand, presentment for payment, notice of dishonor, protest and notice of protest, and diligence in collection or bringing suit, and agrees that the holder hereof may extend the time for payment, accept partial payment or release or exchange security or collateral, without discharging or releasing it.

The Company agrees to pay reasonable attorney's fees and costs of court incurred by the holder in collecting this Note if past due and unpaid at maturity.

DYNALECTRON CORPORATION

By _____

Its _____

By _____

Its _____

[Reverse of Note]

DATE	AMOUNT OF LOAN	AMOUNT OF PRINCIPAL	UNPAID PRINCIPAL BALANCE OF NOTE	RATE OF INTEREST IN EFFECT	AMOUNT OF INTEREST PAID	NAME OF PERSON MAKING NOTATION

EXHIBIT "E"

DYNALECTRON CORPORATION

ACQUISITION CRITERIA

1. Service-Oriented Company, technology and labor intensive and compatible with one of the major Groups, either Government Contracting, Commercial Aviation, Electrical Contracting or Hydrocarbon.

2. Consistent Record of Growth, both in earnings and revenue with particular reference to past three fiscal years (no turn-around or loss-carry-over situations). Minimum return on investment of 15 percent (before application of Corporate G & A expense and pro-formed for income taxes at full statutory rates without benefit of surtax credits).

3. No Long-Term Debt, except that which said acquisition candidate, if standing on its own and covered by the Company's Senior Note Agreement, could incur.

4. Working Capital, sufficient for current volume of business - no short-term debt in excess of an amount which if converted to funded debt could be permissibly included in the test as per Item 3 above with its funded debt.

5. Payment must be in common stock (at either an acceptable market price level or at an acceptable earnings record per common share to be issued), non-redeemable preferred stock, or combinations thereof.

6. Closely Held Company with operating management owners willing to remain in management positions for a minimum of three years following acquisition.

7. Excellent Reputation with labor in areas key to the company operation.

9. Potential for continued growth given reasonable financial backing, marketing and general administrative assistance.

10. Concentrate on operacions in the South and West.

DYNALECTRON CORPORATION

CREDIT AGREEMENT

December 31, 1976

CREDIT AGREEMENT

($4,500,000.00)

AGREEMENT dated as of December 31, 1976, among DYNALECTRON CORPORATION, a Delaware corporation having its principal office and its mailing address at 1313 Dolley Madison Boulevard, McLean, Virginia 22101 (herein called "the Company"), the undersigned Banks (each herein called "a Bank" or collectively called "the Banks") and REPUBLIC NATIONAL BANK OF DALLAS, as agent for the Banks hereunder (in such capacity herein called "the Agent").

BACKGROUND

The Company has applied to the Banks for lines of credit in an aggregate principal amount at any one time outstanding not in excess of $4,500,000.00. The proceeds of the lines of credit are to be used for the Company's general business purposes. Each Bank is willing to make a line of credit available to the Company, subject to the terms and conditions hereinafter set forth. In consideration of the mutual covenants and agreements contained herein, and other good and valuable consideration, receipt of which is acknowledged by all the parties hereto, the parties agree as follows:

ARTICLE 1

DEFINITIONS

The terms defined in this Article 1 (except as otherwise expressly provided in this Agreement) for all purposes shall have the following meanings:

1.1 "Closing Date" shall mean the date of the first "Loan" under the Revolver-Term Loan Agreement, as that term is defined therein.

1.2 "Commitment" shall mean, as to a Bank, the aggregate obligation of such Bank to make Loans under Section 2.1 of this Agreement for the period beginning on the Closing Date and ending on June 30, 1977 (or such later dates pursuant to any extensions pursuant to Section 2.1(a)) which at no time shall exceed such Bank's Specified Percentage of $4,500,000.00. "Commitments" shall mean the aggregate obligations of the Banks to make such Loans.

1.3 "Loan" or "Loans" shall mean the advances to the Company pursuant to this Agreement.

1.4 "Note" or "Notes" shall mean any and all Notes evidencing Loans.

1.5 "Specified Percentage" shall mean, as to a Bank, the percentage set opposite such Bank's signature below.

1.6 "Event of Default" shall mean any of the events specified in Article 6, providing that there has been satisfied any requirement in connection with such event for the giving of notice, or the lapse of time, or the happening of any further condition, event or act, and "Default" shall mean any of such events, whether or not any such requirement has been satisfied.

1.7 "Revolver-Term Loan Agreement" shall mean the Revolver-Term Loan Agreement dated as of December 31, 1976, among the Company, certain Banks listed therein and Republic National Bank of Dallas, as Agent for the Banks, as the same may from time to time be amended. Unless otherwise specifically defined herein, all capitalized terms in this Agreement shall have the same meanings as in the Revolver-Term Loan Agreement.

ARTICLE 2

LOANS

2.1 Lines of Credit. Each Bank, severally and not jointly, agrees, upon the terms and subject to the conditions of this Agreement, to make Loans to the Company from time to time from the Closing Date until June 30, 1977, or until the Commitments of the Banks shall be terminated, up to, but not exceeding in aggregate principal amount at any time outstanding, such Bank's Commitment. Within such limit, the Company may borrow, repay, and reborrow, without premium or penalty, under this Section 2.1 from the Closing Date to and including June 30, 1977, when all Loans shall be payable, provided that, (i) no Loans hereunder shall be made at any time when the outstanding principal amount of Revolving Credit Loans is less than the Commitments under the Revolver-Term Loan Agreement, and (ii) subject to the loss-sharing provisions of Section 7.3 hereof, all repayments of principal under this Agreement and the Revolver-Term Loan Agreement shall first be applied to the Loans hereunder.

DYNCORP 00515

(a) Interest. The Loans shall bear interest prior to maturity at an annual percentage rate equal to the Prime Rate of the Agent as the same shall be in effect from day to day, but no higher than the highest lawful rate. Interest shall be payable as it accrues on March 31, 1977, and on each June 30, September 30, December 31 and March 31 thereafter, and at maturity.

(b) Commitment Fee. The Company shall pay to each Bank a commitment fee at a rate of one-half percent (1/2%) per annum on the daily average unused amount of such Bank's Commitment from the Closing Date to the date upon which the Commitments of the Banks expire or are terminated in full. Accrued commitment fees shall be paid on the same days as interest is due (whether or not any interest is payable), beginning March 31, 1977.

(c) Balances. Subject to the provisions of Section 8.6 of this Agreement, the Company shall maintain with each Bank during each calendar quarter average collected balances in excess of those necessary to support account activity (but only to the extent that such activity is not supported by balances kept pursuant to the requirements of the Revolver-Term Loan Agreement), and in addition to those required under the Revolver-Term Loan Agreement, in an amount no less than ten percent (10%) of such Bank's Commitment plus ten percent (10%) of the average unpaid amount of such Bank's Loans from time to time outstanding. Upon notice from any Bank of a deficiency during any quarter in the balances to be maintained pursuant hereto, the Company shall pay to the notifying Bank, within ten (10) days of any such notice, to compensate said Bank for said deficiency, a fee equal to the amount of the deficiency for said quarter, times the number of days in said quarter divided by three hundred sixty (360), times one hundred twenty-five percent (125%) of the average interest rate during the quarter as set forth in Section 2.1(a); however, the amount of any deficiency shall be reduced by any excess balances maintained in the next following quarter, and no notice shall be given hereunder until after the end of the quarter next following the quarter during which a deficiency occurs. If the Company shall have a deficiency in any quarter, balances maintained shall be applied (i) first to the amount necessary to support account activity, then (ii) to the requirements of the Revolver-Term Loan Agreement, then (iii) to the requirements of this Section 2.1(c).

(d) Notes. On the Closing Date, the Company agrees to deliver to the Agent for each Bank a Note, dated as of the Closing Date, in the form of Exhibit "A", properly executed, with all blanks appropriately filled, in the amount of such Bank's Commitment on the Closing Date. Each Bank shall, and is hereby authorized by the Company to, set forth on the reverse side of its Note the amount of each Loan made by it hereunder and any prepayment thereof and the other information provided on such reverse side.

(e) Manner of Borrowing. The Company shall give each Bank at its office specified below, at least one Business Day's prior notice (if telephonic, to be confirmed by telex or in writing), specifying the amount and date of each borrowing pursuant to this Section 2.1, each borrowing (and repayment) to be in the aggregate amount of $90,000.00, or in integral multiples thereof. On the date specified, each Bank shall deposit in the general deposit account of the Company with it the amount of the Loan in question.

(f) Renewal Option. Notwithstanding anything in this Section 2.1 to the contrary, each Bank shall have the right, on or before May 31, 1977 (and thereafter on or before thirty (30) days prior to the last day of any period of extension provided for herein) to review the Company's general and financial condition, and, in its sole discretion, decide whether or not to continue to make its Commitment available to the Company for an additional twelve (12) months; such decision shall be submitted in writing to the Agent. If, prior to said date, the Agent has not notified the Company that the Commitments shall continue to be available, the Loans shall be due and payable and the Commitments shall terminate on June 30, 1977 (or, as the case may be, on the last day of any period of extension provided for herein). Notwithstanding the provisions of Section 7.4 or any other reference to the several nature of the Banks' obligations hereunder, each Bank's agreement to extend its Commitment for any additional period of time shall be subject to the additional condition precedent that the Company shall have received, within thirty (30) days after the Loan would otherwise be due and payable, Commitments for such period of extension aggregating $4,500,000.00.

(g) Partial Termination by Company. To the extent that it shall not violate any of the provisions of the Revolver-Term Loan Agreement, the Company shall have the right at any time or from time to time upon not less than ten (10) days' prior telephonic notice to the Agent (to be confirmed by telex or in writing), which shall notify the Banks, to terminate the Commitments of the Banks, in whole or in part, provided that each partial termination shall be in an aggregate amount which is an integral multiple of $90,000.00, and shall reduce the Commitments of the Banks proportionately.

2.2 Pro Rata Treatment. Each borrowing from and change in the Commitments of the Banks hereunder shall be made pro rata according to the respective Commitments. Each payment and prepayment on the Notes shall be made to the Banks pro rata in accordance with the unpaid principal amount of the Notes held by each Bank.

DYNCORP 00517

2.3 Payments, Etc. All payments of principal, interest, and other charges hereunder shall be made in lawful money of the United States of America in immediately available funds at the respective banking offices of the Banks. If any interest, principal or fee falls due on other than a Business Day, then such due date shall be extended to the next succeeding Business Day, and interest will be payable in respect to such extension.

2.4 Conditions Precedent to First Loan. The obligation of each Bank to make the first Loan to be made by it hereunder is subject to the satisfaction of the following conditions:

(a) No Default. There shall exist no Event of Default or Default on the Closing Date.

(b) Representations and Warranties. The representations and warranties contained in Article 3 shall be true and correct on and as of the Closing Date, with the same effect as though made on and as of the Closing Date.

(c) Certificate. The Company shall have delivered to the Agent an Officer's Certificate, dated as of the Closing Date, certifying (i) to the matters covered by the conditions specified in subparagraphs (a) and (b) of this Section 2.4, (ii) that the Company has performed and complied with all agreements and conditions required to be performed and complied with by it prior to or on the Closing Date, (iii) to the name and signature of each officer of the Company authorized to sign Notes and to borrow under this Agreement, and (iv) to such other matters in connection with this Agreement which the Agent shall determine to be advisable.

(d) Proceedings. All corporate proceedings of the Company taken in connection with the transactions contemplated by this Agreement and all documents incidental thereto shall be satisfactory in form and substance to the Agent and Special Counsel to the Banks; and the Agent shall have received copies of all documents, or other evidence which the Agent or Special Counsel to the Banks may reasonably request in connection with said transactions, and copies of records and all corporate proceedings in connection therewith, in form and substance satisfactory to the Agent and Special Counsel to the Banks.

(e) Notes. The Company shall have delivered the Notes to the Agent for each Bank dated as of the Closing Date, appropriately executed, with all blanks appropriately filled.

DYNCORP 00518

(f) Revolver-Term Loan Agreement. The Company shall have complied with all conditions precedent to the first Revolving Credit Loans to be made pursuant to the Revolver-Term Loan Agreement.

2.5 Conditions Precedent to All Loans. No Bank shall be obligated to make any Loan, including its first Loan, if there is in existence at such time an Event of Default or Default; or if any of the representations and warranties contained in Article 3 of this Agreement shall be false or untrue in any material respect on the date of such Loan, as if made on such date. Each request by the Company for a Loan shall constitute a representation by the Company that there is not at the time of such request an Event of Default or Default, and that all representations and warranties in Article 3 of this Agreement are true and correct on and as of the date of each such request.

ARTICLE 3

REPRESENTATIONS AND WARRANTIES

The Company represents, warrants and covenants that all representations, warranties and covenants contained in the Revolver-Term Loan Agreement are true and correct.

ARTICLE 4

AFFIRMATIVE COVENANTS

From the date hereof, and so long as the Commitments of the Banks shall be outstanding and until payment in full of all principal and interest due on Loans outstanding under this Agreement, and the performance of all other obligations of the Company under this Agreement, the Company shall perform and observe, and where applicable, cause all Subsidiaries to perform and observe, all of the provisions of Article 4 of the Revolver-Term Loan Agreement as now written and agreed upon, as if they were incorporated herein; provided that any waiver, amendment, or consent with respect to the Revolver-Term Loan Agreement shall be binding upon the Banks without the consents required by Section 7.7 and 8.2 of this Agreement. The Company shall, and, where applicable, cause its Subsidiaries to perform all of the covenants in said Article of the Revolver-Term Loan Agreement, whether or not the Revolver-Term Loan Agreement shall have been terminated or any indebtedness under the Revolver-Term Loan Agreement shall be outstanding.

DYNCORP 00519

ARTICLE 5

NEGATIVE COVENANTS

From the date hereof, and so long as the Commitments of the Banks shall be outstanding and until payment in full of all principal and interest due on Loans outstanding under this Agreement, and the performance of all other obligations of the Company under this Agreement, the Company shall not, nor shall it permit any Subsidiary to, breach any of the covenants or prohibitions contained in Article 5 of the Revolver-Term Loan Agreement as now written and agreed upon, as if they were incorporated herein: provided that, any waiver, amendment, or consent with respect to the Revolver-Term Loan Agreement shall be binding on the Banks without the consents required by Sections 7.7 and 8.2 of this Agreement. The Company shall, and, where applicable, cause its Subsidiaries to perform all of the covenants in said Article of the Revolver-Term Loan Agreement, whether or not the Revolver-Term Loan Agreement shall have been terminated or any indebtedness under the Revolver-Term Loan Agreement shall be outstanding.

ARTICLE 6

EVENTS OF DEFAULT; REMEDIES

6.1 Events of Default. If any one or more of the following events (herein called "Events of Default") shall occur and be continuing for any reason whatsoever (and whether such occurrence shall be voluntary or involuntary or come about or be effected by operation of law or otherwise):

(a) the Company shall fail to pay any principal of any Note when the same shall become due, either by the terms thereof or otherwise as herein provided; or

(b) the Company shall fail to pay any interest on any Note, or any commitment fee, for more than ten (10) days after the date due; or

(c) any representation or warranty made by the Company herein or in any writing furnished in connection with or pursuant to this Agreement shall be false or misleading in any material respect on the date as of which made; or

(d) the Company shall default in the performance or observance of any other agreement, term or condition contained in this Agreement and such default shall not have been remedied within thirty (30) days after written notice thereof shall have been received by the Company from the Agent; or

(e) any of the Events of Default described in Sections 6.1(c) or 6.1(g) of the Revolver-Term Loan Agreement as now written and agreed upon, as if they were incorporated herein, shall occur, unless waived or consented to by the Banks which are parties to

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the Revolver-Term Loan Agreement, as provided therein;

then and in every such event, the Agent shall, upon written request of Banks holding at least sixty-six and two-thirds percent (66-2/3%) in principal amount of the Notes (or if no Notes are outstanding, by Banks having at least sixty-six and two-thirds percent (66-2/3%) of the aggregate Commitments hereunder), by notice to the Company, terminate the Commitments of the Banks and/or if Notes are then outstanding, declare the principal of and interest on all Notes immediately due and payable, and such amounts shall be immediately due and payable, without presentment, demand, protest, notice of protest, or other notice of any kind, all of which are hereby expressly waived.

6.2 Interest After Default. All past-due obligations of the Company to the Banks, until paid, shall bear interest at the highest lawful rate in Texas.

6.3 Remedies. If one or more Events of Default shall happen and be continuing, and after notice by the Agent to the Company set forth in Section 6.1, the Agent may, on behalf of the Banks, without any period of grace, proceed to protect and enforce all or any of the rights with respect thereto contained in this Agreement, the Notes, or any other agreement evidencing or securing any debt of the Company to the Banks, or may proceed to enforce the payment of debt due or enforce any other legal or equitable rights. The Banks shall cooperate fully with each other and with the Agent in the enforcement of this Agreement, and the Notes, and to that end, each Bank (except any Bank which later revokes the following authorization in writing) authorizes the Agent to bring suit on behalf of the Banks in its own name or the name of the Banks, and to execute, on behalf of the Banks in its own name or the name of the Banks, all documents incidental thereto. All rights, remedies or powers conferred upon the Banks shall be deemed cumulative and not exclusive of any other rights, remedies or powers available. No delay or omission to exercise any right, remedy or power, shall impair any such right, remedy or power, or shall be construed to be a waiver of any Event of Default or an acquiescence therein. Any such right, remedy or power may be exercised from time to time, independently or concurrently, and as often as shall be deemed expedient. No waiver of any Event of Default shall extend to any subsequent Event of Default. No single or partial exercise of any right, remedy, or power shall preclude other or further exercise thereof. The Company covenants that if an Event of Default shall happen and be continuing, it will pay reasonable attorney's fees and costs of court incurred in collecting the amounts due pursuant to this Agreement.

DYNCORP 00521

ARTICLE 7

AGENT; BANKS

7.1 Appointment and Powers. Republic National Bank of Dallas is hereby appointed Agent hereunder, and under all agreements contemplated herein, and each of the Banks irrevocably authorizes the Agent as agent of such Bank to take such acts on its behalf under the provisions of this Agreement, and under all agreements contemplated herein, and to exercise such powers hereunder, and under all agreements contemplated herein, as are specifically delegated to the Agent by the terms hereof and thereof, together with such powers as are reasonably incidental thereto.

7.2 Conditions of Acting as Agent. The Agent agrees to act as such upon the following expressed conditions:

(a) The Agent may execute any of its duties hereunder by or through agents or employees, and shall be entitled to advice of counsel concerning all matters pertaining to the agency hereby created and its duties hereunder. Each Bank agrees to reimburse the Agent in the amount of its pro rata share of any out-of-pocket expenses incurred on behalf of the Banks, and of any counsel fees and compensations of agents and employees paid for services rendered on behalf of the Banks, agreed to be reimbursed by the Company but not so reimbursed. The Company agrees to pay the Agent its reasonable out-of-pocket expenses, including attorneys' fees, incurred by the Agent in the negotiation, preparation, execution and closing of this Agreement, and in connection with the administration of this Agreement, and in connection with amendments, consents, waivers, and requests therefor by the Company or agreed to by the Company and the Banks.

(b) Neither the Agent nor any of its officers, directors, agents or employees shall be liable for any action taken or omitted to be taken by it or them hereunder or in connection herewith, except for its, his or their own gross negligence or willful misconduct.

(c) The Agent shall not be responsible to the Banks for any statements, warranties, or representations of the Company in connection with this Agreement or any borrowing hereunder, or be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements hereof on the part of the Company.

DYNCORP 00522

(d) The Agent shall be entitled to rely upon any Note, notice, consent, certificate, affidavit, letter, telegram, statement, order or other documents believed to be genuine and correct and to have been signed or sent by the proper person or persons and, in respect of legal matters, on the opinion of counsel selected by it.

(e) Republic National Bank of Dallas or any successor Agent may resign as Agent at any time upon written notice to the Company and other Banks. Should Republic National Bank of Dallas or any successor Agent ever cease to be a Bank herein, or should Republic National Bank of Dallas or any successor Agent ever resign as Agent, the Bank which is appointed by Banks holding at least 66-2/3% in principal amount of the Notes (or if no Notes are outstanding, Banks having at least 66-2/3% of the Commitments) shall forthwith become the Agent, and the Company and Banks shall execute such documents as any Bank may reasonably request to reflect such change.

(f) With respect to its Commitment, Loans made by it and Notes issued to it, the Agent shall have the same rights and powers hereunder as a Bank and may exercise the same as though it were not the Agent, and the term, "Bank" or "Banks" shall, unless the context otherwise indicates, include the Agent in its individual capacity.

7.3 Share of Losses. The Company and the Bank agree that any sums recovered by any Bank in excess of its pro rata share shall be shared among the Banks, based upon the amounts of their respective Commitments, or, if Loans are outstanding, based on the amount of Loans which each holds. If, however, all Loans shall be paid in full, principal and interest, the Banks shall share the loss pro rata based upon the amount of their respective Commitments. If a Bank shall be required to return to the Company or any Subsidiary or any receiver or trustee of the Company or any Subsidiary all or part of any such excess payment, the other Banks upon demand shall return to the Bank which originally received such payment any portion of such payment delivered to the other Banks. Notwithstanding anything to the contrary contained herein or in the Revolver-Term Loan Agreement, after maturity pursuant to Section 6.1 all sums recovered shall be shared among the Banks which are parties to this Agreement and Banks which are parties to the Revolver-Term Loan Agreement, pro rata according to the amount of Loans (as that term is defined in each Agreement) which each holds.

7.4 Banks' Obligations Several. The obligations of the Banks hereunder are several. Failure of a Bank to make Loans in accordance with its Commitment shall not relieve any other Bank of its obligations hereunder; but in no event shall a Bank be required to make Loans in an amount in excess of its Commitment.

7.5 Indemnity. The Banks agree to indemnify the Agent against all loss, costs, liability and expense resulting from any action taken or omitted to be taken in good faith by it in its capacity as Agent under this Agreement to the extent of the Commitments, of any loss, costs, liability and expense, unless caused by the Agent's gross negligence or willful misconduct.

DYNCORP 00523

7.6 Assignment. A Bank may assign all or any part of its Note to any one or more assignees, provided that (i) no assignment shall relieve the assigning Bank of any of its obligations under this Agreement, (ii) no assignee shall have any rights under this Agreement against a Bank other than the assignor, nor against the Company or any Subsidiary, and (iii) no Bank may assign all of its Note before maturity without the consent of the Company and the Agent, such consent not to be unreasonably withheld.

7.7 Amendment. This Agreement may not be amended or modified except by the written agreement of the Company and Banks holding at least sixty-six and two-thirds percent (66-2/3%) in principal amount of the Notes (or if no Notes are outstanding, Banks having at least sixty-six and two-thirds percent (66-2/3%) of the aggregate Commitments hereunder); provided that, all parties must consent to change the amount of the Commitments, the amount of the Loans, the interest rate, the commitment fee, any provision for maintenance of compensating balances, any term of any Note, or this Section 7.7.

ARTICLE 8

MISCELLANEOUS

8.1 Notices. Unless otherwise provided herein, all notices, requests, consents, and demands shall be in writing and shall be mailed postage prepaid to the respective addresses specified herein, or, as to any party, to such other address as may be designated by it in written notice to all of the parties. All notices, requests, consents and demands hereunder will be effective when duly deposited in the mails or delivered to the telegraph company, addressed as aforesaid.

8.2 Waivers and Consents. The Company may take any action prohibited in this Agreement, or omit to perform any act required herein to be performed by it, upon receipt by the Agent of the written request of the Company, and receipt by the Company of the written consent thereto by Banks holding at least sixty-six and two-thirds percent (66-2/3%) in principal amount of the Notes (or if no Notes are outstanding, Banks having at least sixty-six and two-thirds percent (66-2/3%) of the aggregate Commitments hereunder); provided that all Banks must consent to the waiver of any Event of Default described in Section 6.1(a) or Section 6.1(b).

DYNCORP 00524

8.3 Survival of Agreements. All covenants, agreements, representations, and warranties made herein shall survive the execution and the delivery of this Agreement and all other documents contemplated herein. All statements contained in any certificate or other instrument delivered by the Company hereunder shall be deemed to constitute representations and warranties made by the Company.

8.4 Parties in Interest. Subject to the provisions of Section 7.6, all covenants and agreements contained in this Agreement and all other documents contemplated herein shall bind and inure to the benefit of the respective successors and assigns of the parties hereto, except that the Company may not assign its rights hereunder without the prior written consent of all of the Banks.

8.5 Interest Calculation. Daily interest payable on the Notes, and daily commitment fee, shall be at the rates set forth in this Agreement, divided by 360. Each change in the interest rate shall be effective as of the opening of business on the date of each change in the Prime Rate of the Agent.

8.6 Maximum Interest Rate. Regardless of any provision herein or in any agreement or instrument evidencing or securing any debt hereunder, the Banks shall never be entitled to receive, collect, or apply, as interest on the Loans, any amount in excess of the maximum rate of interest permitted to be charged by applicable law, and, in the event any Bank shall ever receive, collect or apply, as interest, any such excess, such amount which would be excessive interest shall be applied to the reduction of principal; and, if the principal is paid in full, then any remaining excess shall forthwith be paid to the Company.

8.7 Governing Law. This Agreement and all agreements contemplated herein shall be deemed contracts made under the laws of Texas, and shall be construed and enforced in accordance with and governed by the laws of Texas. Without excluding any other jurisdiction, the Company agrees that the courts of Texas will have jurisdiction over proceedings in connection herewith, and hereby appoints the Secretary of State of Texas as its agent for service of process.

8.8 Titles. The titles to paragraphs of this Agreement are inserted for convenience only and do not constitute a part of the text hereof.

DYNCORP 00525

8.9 Severability. The unenforceability or invalidity as determined by a court of competent jurisdiction, or any provision or provisions of this Agreement shall not render unenforceable or invalid any other provision or provisions hereof.

8.10 Exceptions to Covenants. The Company shall not be deemed to be permitted to take any action or fail to take any action which is permitted as an exception to any of the covenants contained herein or which is within the permissible limits of any of the covenants contained herein if such action or omission would result in the breach of any other covenant contained herein.

8.11 Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, and any of the parties hereto may execute this Agreement by signing any such counterparts.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first written above.

DYNALECTRON CORPORATION

By_____

Its _____

SPECIFIED PERCENTAGE:

22-2/9%

REPUBLIC NATIONAL BANK OF DALLAS
P. O. Box 5961
Dallas, Texas 75222
Attn: J. Kendall Whiting
Vice President

By_____
J. Kendall Whiting
Vice President

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22-2/9%

FIRST NATIONAL BANK OF BOSTON
100 Federal Street
Boston, Massachusetts 02110
Attn: Craig H. Deery
Vice President

By_____
Craig H. Deery
Vice President

22-2/9%

UNITED VIRGINIA BANK/NATIONAL
515 King Street
Alexandria, Virginia 22341
Attn: Joseph P. Rockhill
Vice President

By_____
Joseph P. Rockhill
Vice President

22-2/9%

THE BANK OF NEW YORK
48 Wall Street
New York, New York 10015
Attn: Arthur M. Pivirotto, Jr.
Vice President

By_____
Arthur M. Pivirotto, Jr.
Vice President

11-1/9%

HOUSTON NATIONAL BANK
1010 Milam Street
Houston, Texas 77001
Attn: John Stephenson
National Account Officer

By_____
John Stephenson
National Account Officer

DYNCORP 00527

REPUBLIC NATIONAL BANK OF DALLAS, AGENT
P. O. Box 5961
Dallas, Texas 75222
Attn: J. Kendall Whiting
Vice President

By_____
J. Kendall Whiting
Vice President

EXHIBIT "A"

DYNALECTRON CORPORATION

NOTE

Dallas, Texas _____, 197___

For value received, the undersigned, DYNALECTRON CORPORATION, a Delaware corporation ("the Company"), promises to pay to the order of ("Bank") at its banking office in _____ in lawful money of the United States of America, the principal sum of $_____ or such lesser unpaid principal balance from time to time hereunder, as indicated on the reverse side hereof. The unpaid principal sum due upon this Note, unless sooner paid, shall be payable on June 30, 1977.

The unpaid principal sum of this Note from time to time outstanding shall bear interest at an annual percentage rate equal to the Prime Rate of the Agent (as defined in the Agreement, described below) as the same shall exist from day to day, but no higher than the highest lawful rate, until maturity. Interest is payable as it accrues on March 31, June 30, September 30, and December 31, of each year, beginning March 31, 1977, and at maturity. Past due principal and interest shall bear interest as provided in the Agreement, described below.

This Note is issued pursuant to a Credit Agreement among the Company, Bank, and other parties dated _____, 1976 ("Agreement"), to which reference is made for a statement of the rights and obligations of the Bank and the duties of the Company in relation thereto.

If an Event of Default under the Agreement shall occur, unpaid principal of and interest on this Note may be declared due and payable in the manner and with the effect provided thereunder.

The Company waives demand, presentment for payment, notice of dishonor, protest and notice of protest, and diligence in collection or bringing suit, and agrees that the holder hereof may extend the time for payment, accept partial payment or release or exchange security or collateral, without discharging or releasing it.

The Company agrees to pay reasonable attorney's fees and costs of court incurred by the holder in collecting this Note if past due and unpaid at maturity.

DYNALECTRON CORPORATION

By _____

Its _____

By _____

Its _____

[Reverse of Note]

DATE	AMOUNT OF LOAN	AMOUNT OF PRINCIPAL	UNPAID PRINCIPAL BALANCE OF NOTE	RATE OF INTEREST IN EFFECT	AMOUNT OF INTEREST PAID	NAME OF PERSON MAKING NOTATION

END

D 930000

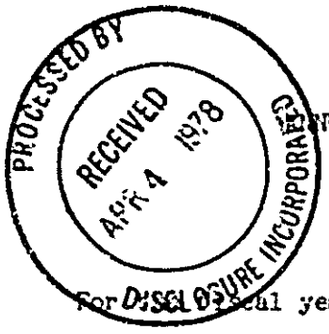
16315

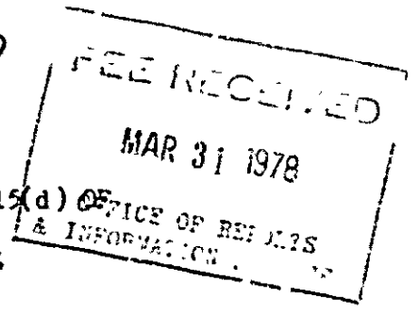
SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

113

FORM 10-K





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

For fiscal year ended December 31, 1977 Commission file number 1-3879-2

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

Delaware	36-2408747
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1313 Dolley Madison Blvd., McLean, Va.	22101
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number (703) 356-0480

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

Title of each class	Name of each exchange on which registered
Common Stock having a par value of $0.10 per share	American Stock Exchange

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

NONE
(Title of class)

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the close of the period covered by this report.
6,835,938

Dynalectron Corporation, incorporated in 1946 under the laws of the state of Delaware, is hereinafter referred to as the "Registrant", "Corporation" or "Company" and any such reference is intended to include all other entities affiliated with the Company unless otherwise stated.

* * * * * * * * * * * * * *

PART I

ITEM 1. BUSINESS

The Registrant provides diversified technological services to various commercial and governmental enterprises worldwide. The general areas of service are performed within major segments as follows:

CONSTRUCTION INDUSTRY

ELECTRICAL CONTRACTING GROUP

This group engages in electrical contracting services for major industrial, power generation and commercial projects nationwide in the United States and Canada, and offers such services selectively to foreign clients. The subsidiaries within the group are diversified as to service and geographic location and operate as subcontractors under most contracts.

As of the end of 1977, a large portion of the group's U.S. activities had been consolidated under the general name "Dynalectric", a subsidiary name used since 1973. Canadian activities were expanded considerably, particularly in Western Canada during 1977. The group continues to be one of the largest electrical contractors in the United States in terms of contract revenues, however, individual members of the group often compete with companies which are larger in size and have greater availability of financial resources. No products are developed or manufactured. The group also engages in wholesaling of electrical materials.

HYDROCARBON GROUP

Major service areas of the group involve research and process development, licensing, engineering, construction and industrial insulation for the petrochemical and various other process industries. This sector includes proprietary technology for environmentally "clean fuels" from various hydrocarbons including lower grade, high-sulfur coals and crude oils. In addition to the above, the group's capabilities include construction of waste water reclamation and sewage treatment plants. Additional information relative thereto is summarized as follows:

Research and Development

The Registrant operates a laboratory which engages in process research and development directed presently toward petroleum, petrochemical and cryogenic industries. Although some projects are financed entirely with Company funds, major endeavors, such as research in connection with the Company's H-Coal® process, are performed under contracts with government and/or private industry participants. In return for this funding, participants normally receive either special rights in use of the process developed or a sharing of the royalty/license fees. The more important processes in which the group has an interest are:

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H-Oil®

A process for the hydrogenating and upgrading of heavy and residual feedstocks into lighter, higher grade petroleum products that can be refined with other conventional processing techniques. A feature used in the H-Oil process (the ebullating bed) is protected by U.S. patent expiring in 1978; however, improvements to the process are covered by additional patents expiring on various dates through 1992.

Hydrodealkylation (HDA)

This is a process for producing benzene from partially refined petroleum materials. The Registrant receives from 16% to 28% of the royalties granted under this jointly-owned process depending upon who issues the license. The HDA process is covered by a number of U.S. patents, which expire between 1983 and 1989. During 1976, a joint ownership and technology usage agreement with two major oil companies was renewed on a basis which increased the Registrant's share of royalty fees on future licenses.

H-Coal®

This process for converting bituminous coal and lignites (sub-bituminous material) into synthetic crude oil through the application of technology similar in some respects to the H-Oil process is in the development stage. The same basic feature used in the H-Oil process (the ebullating bed), the patent for which expires in 1978, is also used in the H-Coal process; however, in H-Coal technology, other developments are protected by patents expiring on various dates through 1991.

In September, 1974, a wholly-owned subsidiary of the Registrant received award of an $8.1 million, 14-month first-phase contract for the design and engineering portion of a multi-phase project for the construction and operation of a 600-ton-per-day (nominal capacity) coal liquefaction pilot plant which will employ the Registrant's proprietary H-Coal process. The contract originally awarded by the Office of Coal Research (OCR), (now a part of the Department of Energy) was jointly funded; two-thirds by Government and one-third by industry.

Since 1974, additional funding has been added for additional engineering, continuation of laboratory work and construction of the pilot plant. The construction phase is also jointly funded approximately 85% by the Government and 15% by private industry. As of the end of 1977, the estimated value of the Registrant's share of the project was $56 million, of which $43 million had been included in revenue.

Process Engineering and Design

This sector of the Hydrocarbon Group's activities provides engineering and design services in connection with the construction of process plants. Contracts vary from the sale of technology for a particular process only, to packages encompassing the complete design, construction and operation of a process or an entire complex at the plant site. Generally, the processes involved are those developed by the Registrant, but processes developed by other companies are also marketed.

DYNCORP 00534

Insulation Contracting and Supply

The insulation subsidiaries provide both contract installation and wholesale supply services in the field of industrial thermal insulation. Industries serviced include primarily the petroleum and process industries in both the United States and Canada. The subsidiaries engaged in these services are among the largest in the U.S./Canadian market.

Specialized Construction

Specialized construction services are provided primarily in the environmental field of waste water treatment.

In all areas of process research and development and licensing, process engineering and design in the petroleum and petrochemical fields and specialized construction, the Registrant faces major competitors, including large engineering companies, major construction firms and major oil companies.

TECHNICAL AND SUPPORT SERVICES

The principal segments of the Technical Services Group are summarized as follows.

OPERATION AND MAINTENANCE AND FACILITIES MANAGEMENT SERVICES

The services provided by this segment encompass management and related support activities for Government facilities. The support services include scientific, engineering, technical, logistic and data processing as well as sophisticated equipment and system operation and maintenance.

AVIATION AND MARITIME SERVICES

This segment provides aircraft maintenance, modification, and repair services worldwide as well as performing repairs, maintenance and installation of electronic and weapons systems in the maritime industry. Activity in the international field was expanded in 1977 by the formation of a new division to perform a recently awarded major long-term aviation services contract in Saudi Arabia. During the year several substantial contracts were renewed after being recompeted. 1977 was also the first complete year of operations of a subsidiary in the maritime industry which had been acquired in mid-1976.

The operations conducted by these two segments generally provide services for various agencies connected with the U.S. Government. Such operations are conducted on a worldwide basis, at sites and in facilities generally provided by the government, under prime contracts and subcontracts. These contracts, which are service oriented and involve no manufacturing activities, are obtained through competitive bidding. The majority of the Registrant's contracts presently in progress are cost plus fixed fee or award fee contracts with a lesser but significant volume of time and expense contracts ranging in duration from one to five years including renewal options exercisable by the government. Essentially all of the contracts are subject through September, 1976 to the Renegotiation Act of 1951.

The government services activities of the Technical Services Group are subject to intense competition. In the technical services industry the Registrant's competitors include major aerospace firms, the size and financial resources of which often far exceed those of the Registrant.

DYNCORP 00535

COMMERCIAL AVIATION SERVICES

This segment of the Technical Services Group is engaged in providing aircraft maintenance services primarily at Miami International Airport as well as facility or ground support services for U.S. and foreign airlines at eight commercial airports and two Air Force bases in the United States. Competition includes numerous companies as large or larger than the Registrant's subsidiaries involved in this field.

TELECOMMUNICATIONS AND ELECTRONIC CONTRACTING

Engaged in the sale, installation and maintenance of communications, sound and environmental systems and other electronic equipment, this segment (included in Other on Table I) competes in the mid-Atlantic area with major established companies which operate nationwide. Disposition of non-profitable telephone interconnect business was completed by early 1978. The business is being expanded to other areas such as security systems, where a significant contract was obtained from a foreign government in late 1976. This segment continues its activities in the domestic market and has expanded its foreign business with the organization in 1977 of a jointly-owned (50%) Saudi Arabian Company.

The general fields in which the Registrant conducts business are all highly competitive with competition based on a variety of factors including, but not limited to, price, service and past experience. Competitors in all groups vary in size with some having a larger financial resource base at their disposal. However, many contracts have been awarded to the Registrant because of its technical know-how and past service record. The names of individual competitors are not listed as the Registrant operates in numerous geographical areas with a variety of competitors and such a listing, in the opinion of the Registrant, would not provide adequate information on which to make meaningful comparisons.

The accompanying Table I summarizes contributions of the major segments to the Registrant's revenue, operating income (as defined), depreciation and amortization, capital expenditures, and identifiable assets. Operating income is defined as earnings before income taxes, interest, Corporate expenses, and other unallocable items. Information on geographic areas and major customers is presented on page 8.

Presently, the following subsidiaries of the Registrant conduct material business in a foreign country:

Name and Location	Date Acquired
The State Electric Company Limited, Ontario, Canada	June, 1972
Fuller-Austin of Canada Limited, Alberta, Canada	July, 1974

Revenue and operating income of these companies for the year ended December 31, 1977 were 13.3% and 17.9%, respectively, of total consolidated revenue and operating income.

Other foreign operations are presently involved in work for the United State Government and certain foreign customers including foreign Governments. With respect to operations abroad for the United State Government, Registrant normally receives rent-free use of the facilities and direct payment from the

DYNCORP 00536

United States Government. Subsidiaries or Divisions of the Company engaged in work for foreign commercial and governmental customers were generally paid in United States dollars generated through prearranged financing. During 1977 the Registrant expanded its foreign activities by obtaining a $25 million portion of a $28 million five-year contract in Saudi Arabia, for which payment will be in Saudi riyals (see also Note 15 to the financial statements). However, for 1977, revenues from foreign operations, other than Canada were not significant to the Registrant's financial position. The currencies involved are not generally subject to major fluctuation, although the Canadian dollar, in which the Company maintained four to five million in net assets, did decline about 10% during the year.

The exposure normally associated with foreign operations is present although the Company's exposure is generally significant only in the more historically stable foreign areas.

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Backlog

Backlog at December 31, 1977 and 1976 was distributed among the Registrant's primary activities as follows:

	Dollars in millions	
	1977	1976
Technical Services Group:		
Scientific and technical services for various Government agencies	$ 55.3	$ 67.4
Commercial aviation services	21.5	24.6
International aviation services	24.8	—
Telecommunications services and electronic contracting	3.7	7.7
Total Technical Services Group	105.3	99.7
Hydrocarbon Group:		
Technological services in the fields of energy, petroleum, petrochemical and other process industries including industrial insulation	28.8	41.4
Industrial construction, primarily waste water reclamation and sewage treatment plants	14.3	37.9
Total Hydrocarbon Group	43.1	79.3
Electrical Contracting Group	70.4	71.2
CONSOLIDATED DYNALECTRON	$218.8	$250.2

The primary factors which reduced the backlog during 1977 included: (i) the completion of peak phases in the procurement of major equipment, components and materials for the construction of the H-Coal® Pilot Plant; (ii) the completion of peak phases in the procurement of materials as well as work progress on the construction of three large waste treatment plants; and (iii) the gradual reduction of backlog relating to several multi-year Government contracts. The most significant positive factor was the addition of a new major contract to provide aviation services in the international market.

Approximately $43,000,000 of the December 31, 1977 backlog is not expected to be included in revenue in 1978. On an overall bases, except for extremes in weather conditions, business of the Registrant is not subject to significant seasonal variations.

At December 31, 1977, the Registrant had approximately 6,500 employees.

DYNCORP 00538

TABLE I

DYNALECTRON CORPORATION AND SUBSIDIARIES

MAJOR SEGMENTS OF BUSINESS

FOR THE FIVE YEARS ENDED DECEMBER 31, 1977 (In thousands)

	1977	1976	1975	1974	1973
CONSTRUCTION INDUSTRY					
Installation, sales, and engineering in the commercial and industrial electrical fields					
Revenues	$123,811	$ 92,709	$ 88,799	$ 88,203	$ 57,036
Operating income	4,894	3,392	4,907	4,893	4,494
Depreciation and amortization	959	771			
Capital expenditures	1,839	717			
Identifiable assets	49,472	40,446			
General construction and engineering, and research and development activities (primarily petrochemical, synthetic fuel and waste treatment fields and insulatior contracting)					
Revenues	$ 85,384	$ 51,182	$ 36,660	$ 15,431	$ 3,082
Operating income (loss)	3,623	3,727	4,312	255	(1,536)
Depreciation and amortization	550	381			
Capital expenditures	1,573	1,007			
Identifiable assets	26,699	18,816			
TECHNICAL AND SUPPORT SERVICES					
Aviation and maritime services (primarily U.S. Government)					
Revenues	$ 16,330	$ 11,404	$ 10,437	$ 15,156	$ 16,435
Operating income	1,012	758	1,160	1,580	2,077
Depreciation and amortization	198	101			
Capital expenditures	164	50			
Identifiable assets	4,006	3,749			
Operation and maintenance and facilities management services (primarily U.S. Government)					
Revenues	$ 36,993	$ 26,494	$ 22,394	$ 23,958	$ 22,390
Operating income	1,102	1,095	899	1,600	1,682
Depreciation and amortization	52	43			
Capital expenditures	84	9			
Identifiable assets	5,290	6,392			
Commercial aviation services					
Revenues	$ 20,188	$ 16,956	$ 15,889	$ 16,642	$ 8,620
Operating income	1,785	1,836	1,718	1,611	644
Depreciation and amortization	900	737			
Capital expenditures	1,445	618			
Identifiable assets	7,357	6,278			
OTHER					
Revenues	$ 2,583	$ 3,080	$ 2,458	$ 2,307	$ 1,510
Operating income (loss)	(740)	(728)	(627)	(307)	144
Depreciation and amortization	71	79			
Capital expenditures	35	119			
Identifiable assets	1,927	2,691			
INTEREST, CORPORATE EXPENSES, TAXES AND UNALLOCABLE ITEMS					
Revenues—Note (a)	$ (130)	$ (312)	$ (178)	$ (25)	$ —
Income (expense) items, net—Note (b)	(8,971)	(7,589)(c)	(9,204)	(7,409)	(5,478)(d)
Depreciation and amortization	128	115			
Capital expenditures	140	181			
Identifiable assets	11,735	9,722			
CONSOLIDATED TOTALS					
Revenues	$285,159	$201,513	$176,459	$161,674	$108,773
Net income	2,705	2,491	3,165	2,223	2,027
Depreciation and amortization	2,858	2,227			
Capital expenditures	5,280	2,701			
Total assets	106,486	87,994			

DYNCORP 00539

MAJOR SEGMENTS OF BUSINESS

Notes to Business Segment Statement

a) Intersegment sales are not presented separately as they are considered insignificant to the segments.

b) Includes exchange gains and losses considered insignificant to the segments.

c) Includes $373,000 gain on disposition of foreign subsidiary.

d) Includes $715,000 gain on early retirement of Convertible Subordinated Notes and $106,000 gain on disposition of foreign subsidiary.

Geographic Areas

Financial information by geographic area for the years 1977 and 1976 is summarized below. Interarea transactions are insignificant and not shown separately.

	United States	Canada	Nonoperating and Corporate	Total
		(In thousands)		
1977				
Revenues	$247,303	$37,986	$ (130)	$285,159
Operating income	9,589	2,087	(8,971)	2,705
Assets	79,476	15,275	11,735	106,486
1976				
Revenues	$170,351	$31,474	$ (312)	$201,513
Operating income	8,357	1,723	(7,589)	2,491
Assets	66,359	11,913	9,722	87,994

Major Customers

In 1977, the Company derived $116 million in prime contract revenues from U.S. Federal, state and local government agencies including $42 million from the Department of Defense. The revenues derived from the Department of Defense are included in the Aviation and Maritime Services segment ($10 million), the Operation and Maintenance and Facilities Management Services segment ($26 million), and the General Construction and Engineering segment ($6 million).

DYNCORP 00540

ITEM 2. SUMMARY OF OPERATIONS

The attached Table II sets forth pertinent data concerning the Registrant's operations for the latest five-year period.

MANAGEMENT'S ANALYSIS AND DISCUSSION OF SUMMARY OF OPERATIONS

REVENUES

Year 1977 vs. 1976

Revenues for 1977 increased $83.6 million to approximately $285.2 million, up 42% over the prior year.

Electrical Contracting Group (ECG) revenues increased 34%, or $31.2 million to $123.8 million for the year. The expansion resulted solely from internal expansion of sales, the last company acquisition for this Group having been made in January 1976. Primary areas reflecting expanded ECG revenues were:

	Net Change in Millions
(1) Increased volume of commercial and industrial projects in the western half of the United States	$15.3
(2) Expansion of Canadian operations including activities in the Western Provinces	10.0
(3) Increased volume in mid-west and eastern states	5.9

The Technical Services Group (TSG) revenues increased 31%, or $18.2 million to approximately $76 million in 1977. The majority of that increase ($15.2 million) was due to a 40% expansion in Government services. Ground support services for commercial aviation developed a solid growth of 19%. The primary factors affecting TSG revenues of 1977 compared to the prior year include:

	Net Change in Millions
(1) Government Services:	
(a) Missile range services and support to R&D and scientific facilities	$ 3.5
(b) Full-year effect plus expansion of work on a large contract awarded mid-1976 by the U. S. Department of Transportation	7.0
(c) Military aircraft maintenance and related services	1.3
(d) Full-year effect of a mid-1976 acquisition engaged in maritime technical services	3.4

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	Net Change in Millions
(2) Commercial Aviation Ground Support..... ..	$ 3.3
(3) Other Services:	
(a) Commercial telecommunications and electronics	0.6
(b) Disposition in 1977 of telephone interconnect business in Texas	(1.0)

Revenues of the Hydrocarbon Group increased 67%, or $34.2 million to $85.4 million in 1977. The gain primarily related to procurement of equipment/materials and buildup of workload on several large construction projects during the year. This simultaneous peaking of procurement and work in several activities is not considered to be part of the normal growth pattern for the Group. Those plus other contributing variations include:

	Net Change in Millions
(1) Peak workload and materials purchasing for construction of three waste treatment plants	$13.7
(2) Procurement of major equipment and materials for the H-Coal® Pilot Plant project	19.4
(3) Changes in industrial insulation projects -	
... in the U. S.	5.3
... in Canada	(3.5)

On an overall basis the Company continued to expand its industrial/commercial business volume while also increasing its Government service activities for the Department of Defense (DOD) as well as other Government agencies such as the U. S. Departments of Energy and Transportation, the Environmental Protection Agency, etc.

Revenues reflect an overall expansion of business of 162% for the five-year period 1973 through 1977. The planned expansion of the Company's commercial/industrial base is evident with a five-year increase of 199% to $192 million in 1977, representing 67% of the year's total revenues. Services for the Department of Defense (a long-time customer) have increased in dollar amount over the five-year period reaching $51.8 million in 1977. However, the percentage of total revenues attributable to DOD work has decreased from 31% in 1973 to 18% in 1977. Thus, the Company is currently less dependent upon DOD budget variations and individual program fluctuations. Revenues from other U. S. Government Agencies reached $41.4 million in 1977 representing about 15% of total revenues. As mentioned above in the discussion of Hydrocarbon Group revenues, a number of large construction projects were in procurement and peak work phases during 1977 creating some anomalies in the revenue growth trend data compared to other years.

DYNCORP 00542

Year 1976 vs. 1975.

Revenues for 1976 increased $25 million to $201.5 million, up 14% over 1975.

The primary factors contributing to the growth included:

(1) The Electrical Contracting Group acquired a new subsidiary in January 1976 which added $11.1 million, expanded wholesale electrical supply sales $2.9 million, and increased volume in Canada $1.6 million.

(2) The Technical Services Group received a new mid-1976 government contract award adding $3.8 million, acquired a new subsidiary at mid-1976 which produced $3.5 million in revenues by year-end, commercial aviation services increased by $1 million and electronic systems contracing by $0.5 million.

(3) The Hydrocarbon Group increased its energy-related project work by $4.0 million, industrial insulation work in the U. S. and Canada by $8.2 million and industrial construction by $2.3 million.

The above growth factors were partially offset in 1976 by a $4.5 million decrease in volume of electrical contracting in Southeast and Mid-Atlantic states, a $7.3 million drop in electrical installation work relating to completion of three large U. S. postal facilities, and a $2.4 million reduction in worldwide maintenance of military aircraft.

EARNINGS

Year 1977 vs. 1976

Net earnings for 1977 increased over 8% to $2,705,000 (38 cents per share) compared to 1976. This improvement was attributable to record earnings during the second half of the year with each of the three operating groups contributing significantly. However, the Company did not achieve its full earnings objective for the year as a whole due to problems which created a first-quarter net loss of $202,000 followed by depressed earnings in the second quarter which resulted in a net loss of $136,000 at mid-1977. Net earnings achieved during the second half of 1977 totaled $2,841,000, which offset the mid-year deficit and resulted in earnings for the year exceeded only by the record earnings two years earlier.

Earnings before interest and taxes on income increased 25% in 1977 to $7,632,000 a growth more in line with expansion of business. However, interest expense increased $580,000 (up 30%) in 1977 and provision for income taxes had greater impact than in 1976 which benefited from a $373,000 capital gain.

Earnings of the Electrical Contracting Group reflected a strong recovery trend from the severely depressed earnings of 1976--net earnings in 1977 of $892,000 (up $411,000) compared with $481,000 the year before. Although substantially improved, 1977 earnings were still below the Group's earning objectives. Factors bearing on the change in ECG earnings included:

DYNCORP 00543

	Net Change in Thousands
(1) Reduced losses in the South-East and improved earnings in Mid-West to achieve an aggregate improvement in the eastern half of the U. S.	$ 309
(2) Reduced aggregate earnings in western states	(274)
(3) Improved earnings of expanding Canadian activities	347
(4) Increased foreign exchange translation loss	(154)
(5) Miscellaneous	183

Net earnings of the Technical Services Group increased $214,000 to $777,000 in 1977. Contributing factors include:

	Net Change in Thousands
(1) Increased earnings related to Government services	$ 100
(2) Reduced losses on telecommunications services (including telephone interconnect activities disposed of in 1977 and early 1978)	69
(3) Increased earnings on commercial and international aviation services	45

Activities of the Hydrocarbon Group were more adversely affected by events during 1977, including schedule delays or complete "shut-down" of several large construction projects due to weather during the first quarter. Net earnings for the Group decreased $618,000 to $1,016,000 in 1977. Factors contributing to the change in net earnings for the Group included:

	Net Change in Thousands
(1) High work volume in energy-related engineering and laboratory support produced increased earnings despite low margins on major related procurement of equipment during 1977	$ 360
(2) Decreased earnings on construction projects	(207)
(3) Decreased margins on industrial insulation projects	(211)
(4) Increased loss on currency translation	(138)
(5) Gain applicable to 1976 on prior sale of foreign subsidiary	(373)
(6) Miscellaneous	(49)

DYNCORP 00544

Year 1976 vs. 1975

Net earnings for 1976 decreased 21% to $2,491,000 (36 cents per share) from the earnings of 1975.

Electrical Contracting Group net earnings decreased overall by 64% in 1976 to $481,000 due primarily to loss operations of two subsidiaries (subsequently consolidated and reorganized) in the Southeastern U. S., and reduced profit margins in Canada. Those factors were partially offset by improved operating results in the Western U. S. including reevaluation of claims.

Overall net earnings of the Technical Services Group decreased 30% to $563,000 in 1976 due to increased losses in domestic telephone interconnect activities (disposed of during 1977 and early 1978) and narrowing margins between rising costs and cost ceilings in a number of Government service contracts, especially those nearing the end of multi-year contract periods. To some extent those impacts were offset by improved earnings in commercial aviation services and the added earnings of a mid-1976 acquisition, PAC ORD.

Hydrocarbon Group 1976 net earnings were $1,634,000, slightly above 1975 results on an expanded business volume Primary factors holding down the Group's earnings expansion were reduced margins on industrial insulation projects in the U. S. and Canada and delays incurred while awaiting Government release of work to the Group's R & D Center. Those factors were offset by increased earnings on expanded industrial construction and the sale of the remaining interest in a former foreign subsidiary.

PROVISION FOR INCOME TAXES

Provision for income taxes increased approximately $0.4 million in 1977 on earnings before taxes which increased only $0.6 million. This was due to a disproportionately low rate in 1976 which resulted from: (i) capital gain income in 1976 not taxable due to loss carry-forwards; and (ii) adjustment of prior periods' accruals. The disproportionate reduction from 1975 to 1976 also included statutory decreases in rates imposed by some foreign countries.

INTEREST EXPENSE

The increase in revenues in 1976 and 1977 were brought about through new contracts and business. The large start-up costs in these endeavors necessitated increased capital outlay which was financed through bank borrowings. Consequently, interest expense increased in 1976 and 1977, but generally proportionate to revenues.

DYNCORP 00545

TABLE II

DYNALECTRON CORPORATION AND SUBSIDIARIES

CONSOLIDATED SUMMARY OF OPERATIONS

	For the years ended December 31, (Note c) (In thousands except per share and dividend data)				
	1977	1976	1975	1974	1973
Revenues	$ 285,159	$ 201,513	$ 176,459	$ 161,674	$ 108,773
Operating expenses	277,527	195,423	167,839	155,555	104,247
Interest expense	2,494	1,914	1,663	1,413	674
Gain on early retirement of convertible subordinated notes (Note a)	—	—	—	—	715
Earnings (loss) from discontinued foreign subsidiaries (Note b)	—	373	—	—	(66)
Provision for income taxes (Note c)	2,433	2,058	3,792	2,483	2,474
Net earnings	$ 2,705	$ 2,491	$ 3,165	$ 2,223	$ 2,027
Earnings per share (Note c)	$ 0.38	$ 0.36	$ 0.46	$ 0.34	$ 0.30
Cash dividends per share:					
Preferred	$ 0.60	$ 0.60	$ 0.50	$ 0.50	$ —
Common	0.06	0.06	0.05	0.05	—
Weighted average common and common equivalent shares outstanding (Note c)	6,686,554	6,531,154	6,796,212	6,573,088	6,746,577

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DYNALECTRON CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED SUMMARY OF OPERATIONS

(a) The Registrant, in May 1973, repurchased and retired $1,925,000 of the original placement of $6,000,000 of its 6-7/8% convertible subordinated notes at a discount from face value of 40%, which resulted in a gain after income taxes and expenses associated therewith of approximately $340,000 ($0.05 per share).

(b) The Registrant sold 81% of its French operating subsidiary as of June 30, 1973 and the remaining interest in 1976; and in December 1973, the Registrant disposed of its ownership in the condominium premises occupied by the operating subsidiary. Data concerning the operations of these subsidiaries is as follows:

	For the years ended December 31,	
	1976	1973
	(In thousands)	
Revenues	$ —	$ 642
Costs and expenses	—	1,060
Gain on sale of condominium interest in office building	—	(352)
Gain on sale of remaining interests	(373)	—
Earnings (loss) before income taxes	$ 373	$ (66)

(c) Reference is made to the following notes to consolidated financial statements —

Note 1 - Summary of Significant Accounting Policies
Note 9 - Income Taxes
Note 10 - Quarterly Financial Data
Note 11 - Pension Plans
Note 12 - Earnings Per Share
Note 13 - Incentive Compensation Plans
Note 14 - Leases
Note 15 - Commitments, Contingencies and Litigation
Note 16 - Business Segments

DYNCORP 00547

ITEM 3. PROPERTIES

The Registrant is a service-oriented company, and as such, the ownership or leasing of real property is an activity which is not material to an understanding of the Registrant's operations. Generally, properties owned or leased are office facilities, warehouses used in connection with the storage of inventories, and servicing facilities used by the Commercial Aviation sector of the Technical Services Group. The majority of the facilities are located within the United States. In the opinion of management, the facilities employed by the Registrant are adequate for the present needs of the business. Reference is made to the consolidated financial statements, notes thereto and Schedule V for additional information concerning expenditures and lease commitments for property.

ITEM 4. PARENTS AND SUBSIDIARIES

Table III on page 18 sets forth the various entities owned directly or through common control by the parent, Dynalectron Corporation. All entities are wholly owned by the parent unless otherwise indicated and are included in the consolidated financial statements. Joint ventures and 20% to 50% owned companies are included in the consolidated financial statements at their underlying book value under the equity method of accounting.

ITEM 5. PENDING LEGAL PROCEEDINGS

See Notes 2 and 15 of notes to consolidated financial statements.

ITEM 6. INCREASES AND DECREASES IN OUTSTANDING SECURITIES

A. During the year ending December 31, 1977, the amount of equity securities of the Registrant outstanding increased or decreased as follows:

	Title of Class (a)	
	Common Shares (b)	Preferred Shares Series B (c)
Balance outstanding or in treasury, December 31, 1976	6,835,938	30,750
Transfer to current liability of value of shares expected to be redeemed in September, 1978		(750)
Reduction in estimate of stock to be released from escrow as consideration in connection with a 1975 acquisition		(4,910)
Balance outstanding or in treasury, December 31, 1977	6,835,938	25,090

DYNCORP 00548

	Title of Class (a)			
	Series B 8 - 1/2% Convertible Subordinated Debentures	8 - 1/4% Convertible Debentures	6 - 7/8% Convertible Subordinated Notes	Series C 6% Convertible Subordinated Debentures (d)
Balance outstanding, December 31, 1976	$616,000	$ 381,025	$4,075,000	$151,667
Principal curtailments -				
January, 1977		(203,213)		
July, 1977		(177,812)		
Balance outstanding, December 31, 1977	$616,000	$ —	$4,075,000	$151,667

(a) Reference is made to Notes 5, 7 and 8 of notes to consolidated financial statements for additional information.

(b) Excluded from the number of shares outstanding at December 31, 1977 and 1976 are 540,000 and 652,500 shares, respectively, which have been issued into escrow.

(c) Excluded from the number of shares outstanding at December 31, 1977 and 1976, are 12,310 and 7,400 shares, respectively, which have been issued into escrow.

(d) Excludes $440,000 of Series C Debentures which have been issued into escrow.

B. During the year ended December 31, 1977, the Registrant sold or issued the following securities which were not registered under the Securities Act of 1933, in reliance upon an exemption from registration provided by Section 4(2) of the Act:

1. Debt Securities, $5,500,000 - long-term bank loans under a Revolver-Term Loan Agreement. Information called for in Item 6(b) is contained in Item 5, Part II of Registrant's Form 10-Q for the quarter ended September 29, 1977, and 8-K Report for the month of January, 1977, which are incorporated herein by reference.

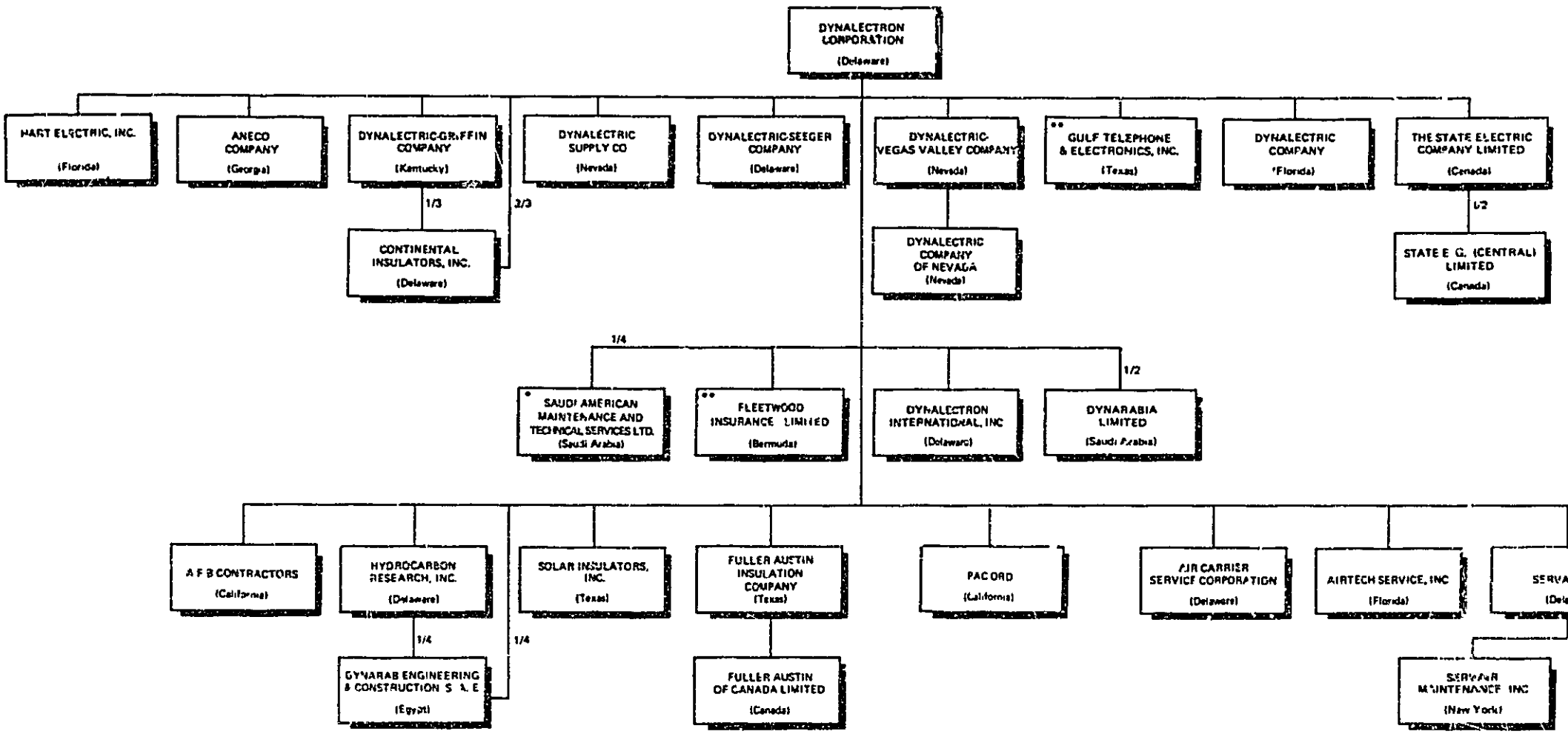
2. Equity Securities, 378 shares of Registrant's common stock, issued from Treasury stock to S. Hanifin on May 17, 1977. Shares issued under an Incentive Bonus Plan created in connection with a 1973 acquisition. Market price at the date of issuance was $4.50 per share and no brokers, underwriters, or finders were involved. The transaction is exempt under Securities Act Section 4(2) as both disposition and people involved are limited, and, therefore, not deemed a public offering. The face of the securities shows that they were issued for investment under a restriction and that stop-transfer instructions were issued to the transfer agent.

ITEMS 7, 8 AND 10.

These items require disclosure of any fourth quarter action in connection with (7) Changes in Securities and Changes in Security for Registered Securities, (8) Defaults upon Senior Securities, or (10) Submission of Matters to a Vote of Security Holders. There were no such items requiring disclosure during the fourth quarter of 1977

DYNCORP 00549

PUBLIC - TRADED ON THE AMERICAN STOCK EXCHANGE



*IN PROCESS OF FORMATION

** INACTIVE

TABLE III

DYNALECTRON CORPORATION AND SUBSIDIARIES

OWNERSHIP CHART AS OF MAR. 31, 1978

ITEM 9. APPROXIMATE NUMBER OF EQUITY SECURITY HOLDERS

Title of Class	Approximate number of record holders at December 31, 1977
Common stock	14,035*
6 - 7/8% Convertible Subordinated Notes	9
Preferred stock, Series B	13
8-1/2% Convertible Subordinated Debentures (Series B)	2
6% Convertible Subordinated Debentures (Series C)	1

*Based upon registrar's records supplemented by broker requests for information for distribution to stockholders holding in street names, there are approximately 23,000 owners of the Registrant's common stock.

ITEM 11. EXECUTIVE OFFICERS OF THE REGISTRANT

Name	Age	Office Held
Jorge Carnicero*	56	Chairman of the Board
C. G. Gulledge*	58	President and Chief Executive Officer
M. F. Richards*	57	Executive Vice President and Chief Operating Officer
D. R. Bannister	47	Senior Vice President, Technical Services Group
G. W. Ewalt	42	Senior Vice President, Electrical Contracting Group
E. W. Holdgraf	53	Senior Vice President, Hydrocarbon Group
J. P. Schelling	53	Senior Vice President, Finance and Administration Group
E. M. Constable	39	Vice President, Finance and Treasurer
F. J. Del Rocco	44	Vice President, Human Resources
G. A. Dunn	44	Vice President, Controller
F. J. Mayne	44	Vice President, Management Information
D. L. Reichardt	35	Vice President and General Counsel
A. Janofsky	34	Secretary and Associate Counsel

Officers of the Registrant are elected annually by the Board of Directors.

The Registrant knows of no family relationships between any of the above.

*Member, Board of Directors and Executive Committee of the Board of Directors.

DYNCORP 00551

Summary of Positions and Experience -

Mr. Carnicero has served as Chairman of the Board since 1955.

Mr. Gulledge has served as President since 1960 and was elected Chief Executive Officer in May, 1974.

Mr. Richards was elected to his present position in May, 1975 having served as Executive Vice President since 1974; prior thereto he served as Senior Vice President for two years and thirteen years as Vice President, Finance.

Mr. Bannister was elected to his present position in January, 1977 after serving as Group Vice President, Technical Services Group since September, 1972. For six years prior thereto, he was Vice President and Director of Division Operations.

Mr. Ewalt has been an officer of the Registrant since 1966. In the last ten years, he has served in two positions as an Assistant Vice President; (1) Manager, Missile Range Space Program (December, 1967 to October, 1970), and (2) Director of Marketing (October, 1970 to September, 1971); and in two positions as a Vice President in charge of (1) Facilities Management from September, 1971 to January, 1973 and (2) the Electrical Contracting Group from January, 1973 to September, 1973, at which time he was elected to Group Vice President, Electrical Contracting Group where he served until elected to his present position in January, 1977.

Mr. Holdgraf was employed in August, 1972 as Director of the Hydrocarbon Group and was elected Group Vice President in September, 1972. He was elected to his present position in January, 1977.

Mr. Schelling served as Vice President and General Counsel from 1961 until elected to his present position in January, 1977.

Mr. Constable joined the Registrant as Vice President, Corporate Development in February, 1973 responsible primarily for the Registrant's acquisition program and was reassigned as Vice President, Finance in March, 1975. In addition, he was elected Treasurer in September, 1977.

Mr. Del Rocco was elected Vice President, Human Resources (formerly Industrial Relations) in September, 1974, having served as Director of Corporate Industrial Relations since June, 1974 and prior thereto served six years as Manager, Industrial Relations of the Registrant's Land-Air Division.

Mr. Dunn has served as Controller since 1967. He was elected Assistant Vice President in 1971, and to his present position in December, 1973.

Mr. Mayne was elected General Auditor in December, 1971 and served in that capacity until election to his present position in May, 1975.

Mr. Reichardt was employed as a staff attorney in April, 1970. and was elected Secretary and Assistant General Counsel in December, 1972. In January, 1977 he was elected to his present position.

Mr. Janofsky served as Assistant Secretary and Associate Counsel from 1973 until he was elected to his present position in January, 1977.

DYNCORP 00552

ITEM 12. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Reference is made to Article 25 (a through g) of the Registrant's By-laws (Exhibit C) which is incorporated herein by reference. The Registrant also maintains liability insurance covering certain acts by Directors and Officers.

ITEM 13. FINANCIAL STATEMENTS AND EXHIBITS

(a)(1) Financial Statements and Schedules

	Page Numbers
Report of Independent Public Accountants	24
Consolidated Statements of Earnings for the Years Ended December 31, 1977 and 1976	25
Consolidated Balance Sheets as of December 31, 1977 and 1976	26 and 27
Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 1977 and 1976	28
Consolidated Statements of Changes in Financial Position for the Years Ended December 31, 1977 and 1976	29
Notes to Consolidated Financial Statements	30 to 42
Schedule II	43
Schedule V	44
Schedule VI	45
Schedule VII	46
Schedule VIII	47
Schedule XII	48
Schedule XVI	49

Separate financial statements of the Registrant have been omitted since the Registrant is primarily an operating company and all subsidiaries included in the consolidated financial statements do not have minority equity interests or indebtedness which together exceed 5% of total consolidated assets.

Summarized financial information of 20% to 50% owned subsidiaries is not presented as they do not meet the significant subsidiary test in the aggregate.

Schedules not filed and the reason for their omission are as follows:

Not required	:Schedules I, III, IV, X and XIX
Not applicable	:Schedules XI, XIV, XV, IVII and XVIII
Incorporated in consolidated financial statements or notes thereto	:Schedules IX and XIII

DYNCORP 00553

(a)(2) Exhibits

Exhibit A - Computations of Earnings Per Common Share.

Exhibit B - Certificate of Incorporation as amended to date, consisting of (1) Composite Certificate of Incorporation as amended and as in effect on October 17, 1968; (2) Certificate of Amendment adopted May 20, 1970; (3) Certificate of Amendment adopted February 27, 1973; (4) Certificate of Amendment adopted September 13, 1973; (5) Certificate of Amendment adopted January 7, 1975; and (6) Certificate of Amendment adopted May 18, 1977.

Exhibit C - Registrant's By-Laws, as amended to date.

Exhibit D - Specimens of Registrant's Common Stock, $.10 par value (1) One Hundred Share Certificate, (2) Less-Than-One Hundred Share Certificate and (3) Unlimited Share Certificate.

Exhibit E - Specimen of Registrant's Preferred Stock, Series A, $.10 par value - Unlimited Share Certificate.

Exhibit F - Specimen of Registrant's Preferred Stock, Series B, $.10 par value - Unlimited Share Certificate.

Exhibit G - Specimen of Registrant's 8-1/4% Convertible Debenture.

Exhibit H - Specimen of Registrant's Series A and Series B, 8-1/2% Convertible Subordinated Debenture.

Exhibit I - Specimen of Registrant's Series C, 4% Convertible Subordinated Debenture.

Exhibit J - Specimen of Promissory Notes and Loan Agreements in connection with (1) 8-1/2% Senior Loan Agreement restated with amendments as of September 1, 1976, (2) Revolver-Term Loan Agreement, entered into as of December 31, 1976, and (3) Amendments to the Revolver-Term Loan Agreement dated July 1, 1977 and March 6, 1978. (4) Amendment to 8-1/2% Senior Loan Agreement dated October 26, 1977.

Notes to Exhibits

1) Exhibit B - Item (1) and (2) are incorporated herein by reference to Amendment No. 1 to the Registrant's Form 10-K for 1970 filed under cover of Form 8 and dated April 23, 1971. Item (3) is incorporated herein by reference to the Registrant's Form 10-K for 1972 dated March 31, 1973. Item (4) is incorporated herein by reference to the Registrant's Form 10-K for 1973 dated March 31, 1974. Item (5) is incorporated herein by reference to the Registrant's Form 10-K for 1974 dated March 31, 1975.

DYNCORP 00554

Notes to Exhibits (cont'd.)

2) Exhibit D - Items (1) and (2) are incorporated herein by reference to Amendment No. 1 to the Registrant's Form 10-K for 1970 filed under cover of Form 8 and dated April 23, 1971. Item (3) is incorporated herein by reference to the Registrant's Form 10-K for 1971 dated March 30, 1972.

3) Exhibit E is incorporated herein by reference to the Registrant's Form 10-K for 1972 dated March 31, 1973.

4) Exhibit F is incorporated herein by reference to the Registrant's Form 10-K for 1973 dated March 31, 1974.

5) Exhibit G is incorporated herein by reference to the Registrant's Form 10-K for 1974 dated March 31, 1975.

6) Exhibit H is incorporated herein by reference to the Registrant's Form 10-K for 1976 dated March 31, 1977.

7) Exhibit I is incorporated herein by reference to the Registrant's Form 10-K for 1976 dated March 31, 1977.

8) Exhibit J - Items (1) and (2) are incorporated herein by reference to the Registrant's Form 10-K for 1976 dated March 31, 1977.

(b) Reports on Form 8-K (during the fourth quarter)

There were no Reports on Form 8-K or amendments to previously filed Reports filed in the fourth quarter of 1977.

* * * * * * * * * * *

PART II

ITEMS 14 THROUGH 18.

With the exception of a portion of Item 15 which is presented below, these items are omitted as this information is included in the Registrant's proxy statement to be filed on or before April 30, 1978.

ITEM 15. (Information not included in Registrant's proxy statement to be filed on or before April 30, 1978.)

There are no known family relationships between any of Registrant's directors or between any of its directors or executive officers.

SIGNATURE

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

DYNALECTRON CORPORATION

Date: March 31, 1978

By: /s/ John P. Schelling
John P. Schelling
Senior Vice President, Finance
and Administration Group

DYNCORP 00555

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Dynalectron Corporation:

We have examined the consolidated balance sheets of Dynalectron Corporation (a Delaware corporation) and subsidiaries as of December 31, 1977 and 1976, and the related statements of earnings, stockholders' equity and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As discussed more fully in Note 2, the Company is currently in settlement negotiations with representatives of the Liberian government to recover its investment in and advances to the Liberia Refining Company. Realization of the Company's investment and advances ($3,628,000 at December 31, 1977) is dependent upon the outcome of such negotiations and/or recovery under the Company's expropriation insurance policy.

In our opinion, subject to realization of the investment in and advances to Liberia Refining Company, the accompanying consolidated financial statements present fairly the financial position of Dynalectron Corporation and subsidiaries as of December 31, 1977 and 1976, and the results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied during the periods.

ARTHUR ANDERSEN & CO.

Washington, D.C.,

March 8, 1978.

DYNCORP 00556

DYNALECTRON CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS

FOR THE YEARS ENDED DECEMBER 31, 1977 AND 1976 (Dollars in thousands)

	1977	1976
REVENUES (Note 1)	$285,159	$201,513
COSTS AND EXPENSES (Note 1):		
Cost of services	270,144	188,546
Administrative, selling and general	7,612	7,249
	277,756	195,795
OTHER (INCOME) AND EXPENSE:		
Interest income	(229)	(372)
Interest expense	2,494	1,914
Sale of remaining interest in former foreign subsidiary	—	(373)
	2,265	1,169
Earnings before provision for income taxes	5,138	4,549
Provision for income taxes (Note 9)	2,433	2,058
Net Earnings	$ 2,705	$ 2,491
EARNINGS PER SHARE (Note 12)	$ 0.38	$ 0.36

The accompanying notes are an integral part of these statements.

DYNCORP 00557

DYNALECTRON CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 1977 AND 1976 (Dollars in thousands)

A S S E T S

	1977	1976
CURRENT ASSETS:		
Cash (including marketable securities of $572 in 1976) (Note 4)	$ 5,089	$ 3,364
Notes and current portion of long-term receivables	516	1,201
Accounts receivable (Note 3) -		
U. S. Government	10,289	9,264
Trade and other	43,639	32,655
Allowances for doubtful accounts (Schedule XII)	(814)	(848)
Contracts in process (Notes 1 and 3)	16,966	11,664
Inventories of purchased products and supplies, at lower of cost (first-in, first-out) or market	6,051	6,325
Prepaid expenses	1,057	1,058
Total current assets	82,793	65,683
LONG-TERM RECEIVABLES:		
Stockholders and officers (Note 3 and Schedule II)	173	271
Other, due through 1982, less current portion included above and allowances for possible nonrecovery of $160 in 1977 and $179 in 1976 (Schedule XII)	482	482
PROPERTY AND EQUIPMENT, at cost (Notes 1 and 14, and Schedule V):		
Land	1,259	1,225
Buildings and leasehold improvements	4,759	4,877
Machinery and equipment	16,957	12,925
	22,975	19,027
Accumulated depreciation and amortization (Schedule VI)	(9,504)	(7,160)
Net property and equipment	13,471	11,867
INVESTMENT IN AND ADVANCES TO LIBERIA REFINING COMPANY (Note 2)	3,628	2,877
PATENTS AND PROCESSES (Note 1)		
COST IN EXCESS OF NET TANGIBLE ASSETS OF BUSINESSES ACQUIRED, at cost less accumulated amortization of $747 in 1977 and $612 in 1976 (Note 1 and Schedules VII and VIII)	4,519	5,057
OTHER ASSETS (including deferred tax charges of $469 in 1977 and $1,201 in 1976) (Note 9)	1,420	1,757
	$106 486	$87,994

The accompanying notes are an integral part of these balance sheets.

DYNCORP 00558

DYNALECTRON CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 1977 AND 1976 (Dollars in thousands)

LIABILITIES AND STOCKHOLDERS' EQUITY

	1977	1976
CURRENT LIABILITIES:		
Bank loans (Note 4)	$ 6,969	$ 3,159
Notes payable and current portion of long-term debt (Note 5)	1,915	1,778
Accounts payable	20,076	11,995
Advances on contracts in process	4,601	3.247
Accrued income taxes, including deferred income taxes of $5,500 in 1977 and $4,490 in 1976 (Note 9)	6,955	5,921
Accrued expenses (Note 6)	12,657	10,100
Total current liabilities	53,173	36,200
LONG-TERM DEBT (Note 5)	20,671	19,733
OTHER LIABILITIES AND DEFERRED CREDITS (primarily deferred incentive compensation) (Note 12)	1,045	2,350
Total liabilities	74,889	58,283
COMMITMENTS, CONTINGENCIES AND LITIGATION (Notes 14 and 15)		
STOCKHOLDERS' EQUITY:		
Capital stock, par value ten cents per share -		
Preferred stock, authorized 1,000,000 shares; outstanding 25,090 shares in 1977 and 30,750 shares in 1976, at liquidation value of $80 per share (Note 7)	2,007	2,460
Common stock, authorized 15,000,000 shares in 1977 and 10,000,000 shares in 1976; outstanding or in treasury 6,835,938 shares in 1977 and 1976 (Note 8)	684	684
Paid-in surplus	13,601	13,627
Retained earnings (Note 4)	16,886	14,588
Common stock held in treasury, at cost; 319,557 shares in 1977 and 332,949 shares in 1976	(1,581)	(1,648)
Total stockholders' equity	31,597	29,711
	$106,486	$87,994

The accompanying notes are an integral part of these balance sheets.

DYNCORP 00559

DYNALECTRON CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 1977 AND 1976 (Dollars in thousands)

	Preferred Stock	Common Stock	Paid-in Surplus	Retained Earnings	Treasury Stock
BALANCE, December 31, 1975	$ 60	$684	$13,689	$12,503	$(1,695)
Stock issued as consideration for a 1975 acquisition (Note 7)	2,400		(49)		
Exercise of stock options			(13)		47
Cash dividends				(406)	
Net earnings				2,491	
BALANCE, December 31, 1976	$2,460	$684	$13,627	$14,588	$(1,648)
Reduction in stock issued as consideration for a 1975 acquisition (Note 7)	(393)				
Transfer to current liability in anticipation of exercise of redemption option (Note 7)	(60)				
Exercise of stock options			(26)		67
Cash dividends				(407)	
Net earnings				2,705	
BALANCE, December 31, 1977	$2,007	$684	$13,601	$16,886	$(1,581)

The accompanying notes are an integral part of these statements.

DYNCORP 00560

DYNALECTRON CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

FOR THE YEARS ENDED DECEMBER 31, 1977 AND 1976 (Dollars in thousands)

	1977	1976
SOURCES OF WORKING CAPITAL:		
Net earnings	$ 2,705	$ 2,491
Items not requiring (providing) working capital —		
Depreciation and amortization of property and equipment	2,858	2,227
Deferred income taxes (noncurrent portion)	732	(474)
Deferred compensation	800	480
Other amortization	293	218
Working capital provided from operations	7,388	4,942
Increase in long-term debt	2,316	6,471
Issuance (reduction) in stock	(412)	2,447
Disposals of property and equipment	818	87
Other, net	447	499
Total sources	10,557	14,446
APPLICATIONS OF WORKING CAPITAL:		
Investment in property and equipment	5,280	2,701
Decrease in long-term debt	1,438	1,154
Payment of cash dividends	407	406
Increase in investments in unconsolidated foreign subsidiaries	414	—
Reclassification of long-term deferred compensation to current liabilities	2,120	—
Payments in support of guarantees of bank credit to Liberia Refining Company	751	—
Increase in other assets	413	—
Noncurrent assets and liabilities of acquired companies	—	1,011
Increase (decrease) in cost in excess of net tangible assets of businesses acquired	(403)	2,240
Total applications	10,420	7,512
INCREASE IN WORKING CAPITAL	137	6,934
Working capital, beginning of year	29,483	22,549
WORKING CAPITAL, END OF YEAR	$29,620	$29,483
CHANGES IN WORKING CAPITAL:		
Increase (decrease) in current assets —		
Cash	$ 1,729	$ 1,346
Notes and current portion of long-term receivables	(685)	(241)
Accounts receivable	11,043	8,682
Contracts in process	5,302	3,132
Inventories	(274)	338
Prepaid expenses	(1)	215
Decrease (increase) in current liabilities —		
Bank loans	(3,810)	(2,209)
Notes payable and current portion of long-term debt	(137)	(535)
Accounts payable	(8,081)	(3,743)
Advances on contracts in process	(1,354)	2,873
Accrued income taxes	(1,034)	(861)
Accrued expenses	(2,557)	(2,063)
INCREASE IN WORKING CAPITAL	$ 137	$ 6,934

The accompanying notes are an integral part of these statements.

DYNCORP 00561

DYNALECTRON CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation - The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated. Joint ventures and 20% to 50% owned companies are accounted for at their underlying book value under the equity method of accounting and are included in Other Assets.

Translation of Foreign Currencies - Accounts of the Company's foreign operations (primarily Canadian) have been translated into United States dollars at the year-end exchange rate for cash, receivables and liabilities and at the exchange rates prevailing at the transaction dates for other balance sheet accounts and for revenue and expense accounts. Translation gains and losses are recognized in the year of occurrence. Included in administrative, selling and general expense in 1977 are translation losses totaling $229,000 reduced to $110,000 by net foreign exchange gains from hedging and other foreign currency transactions. Net translation losses in 1976 were $58,000.

Contract Accounting - Contracts in process are stated at the lower of actual cost incurred plus accrued profits or net estimated realizable value, reduced by progress billings. The Company records income from major fixed price construction, engineering and service contracts, which extend over more than one accounting period, using a labor-based percentage-of-completion method. Losses on contracts are recognized as soon as they become known. Claims against customers, as well as adjustments arising out of construction and engineering contracts, are recorded at the time realization becomes reasonably assured.

Property and Equipment - The Company generally computes depreciation and amortization on a straight-line basis over the estimated service lives of property and equipment. Estimates currently used, by type of property, are:

Type of Property	Estimated Life
Buildings	15-33 years
Machinery and equipment	2-12 years
Leasehold improvements	Term of lease

Cost of property and equipment sold or retired and the related accumulated depreciation or amortization are removed from the accounts in the year of disposal, and any gains or losses are reflected in the consolidated statement of earnings. Expenditures for maintenance and repairs are charged to expense as incurred, and major additions and betterments are capitalized.

Cost in Excess of Net Tangible Assets of Businesses Acquired - The Company generally amortizes the cost in excess of net tangible assets of businesses acquired on a straight-line basis over a 40-year period. The Company recorded amortization of $135,000 in 1977 and $148,000 in 1976.

DYNCORP 00562

Income Taxes - The Company and its domestic subsidiaries file a consolidated Federal income tax return. Deferred income taxes arise from timing differences between the book and tax recognition of certain income and expense items. The Company uses the flow-through method of accounting for investment credits which were used to offset the provision for income taxes in the accompanying consolidated statements of earnings by $135,000 in 1977 and $85,000 in 1976.

Research and Development - Patents and processes are carried at a nominal value. The Company expensed research and development costs for its own account of $216,000 in 1977 and $305,000 in 1976.

(2) LIBERIA REFINING COMPANY

The Company and a major domestic oil company were 18% and 67% owners, respectively, of the Liberia Refining Company (LRC), the owner and operator of a 10,000 barrel per day design capacity oil refinery located in Monrovia, Liberia. LRC has operated the refinery since 1969 under an exclusive 25-year concession from the Liberian Government. On May 12, 1977, the Company and the domestic oil company jointly announced that they considered their interests in LRC to have been expropriated by the Liberian Government. The expropriation claim was based primarily on the Liberian Government's failure to maintain a product pricing structure which would permit the refinery to operate at a profit as it committed to do by the terms of the concession. The refinery was damaged by a fire in December 1976. Although the damage caused thereby has been substantially repaired and the cost of such repairs was covered by insurance, the refining portion of the refinery has not been placed back in operation due to the expropriation claim and the related unresolved differences. As of December 31, 1977, the carrying value of the Company's investment and advances was approximately $3,628,000 (including 1977 payments of $751,000 in fulfillment of a guarantee commitment in support of an LRC loan). Concurrently with the announcement of expropriation, the Company placed Lloyd's of London, its expropriation insurance carrier, on notice. The amount of expropriation coverage is in excess of the Company's investment in and advances to LRC. Since July 1977, settlement negotiations have been underway with representatives of the Liberian Government. Realization of the Company's investment in and advances to LRC is dependent upon the outcome of such negotiations and/or recovery under its Lloyd's expropriation insurance policy.

(3) RECEIVABLES AND CONTRACTS IN PROCESS

Accounts receivable and contracts in process include unbilled amounts of approximately $31,387,000 in 1977 and $21,945,000 in 1976, and contractual retentions of approximately $11,048,000 in 1977 and $7,738,000 in 1976. Of the contractual retentions at December 31, 1977, approximately $518,000 are expected to be collected after one year.

DYNCORP 00563

Included in contracts in process at December 31, 1977 and 1976, are amounts aggregating approximately $3,050,000 and $4,458,000, respectively, relating primarily to the following:

— overhead and other indirect costs incurred in excess of amounts billable under provisional rates on Government contracts, which amounts cannot be billed until audits by and negotiations with Government agencies have been completed;

— accrued award fees on Government contracts recorded at estimated amounts; and

— claims currently under negotiation for reimbursement of additional costs resulting from extension of construction contracts and changed conditions.

Based on information currently available, it appears that approximately $402,000 of the aggregate amount at December 31, 1977, may not be collected within one year.

At December 31, 1977, notes receivable from former owners of acquired subsidiaries consisted of the following:

	Current	Long-Term	Interest Rate
	(In Thousands)		
Payable before August, 1980	$ —	$ 76	6%
Payable before January, 1979	100	—	9%
Payable through November, 1979	17	8	8%
Payable before February, 1980	—	49	Prime
Payable before July, 1980	—	40	9½%
	$117	$173	

The 9% note is secured by 78,944 shares of the Company's common stock which were issued to the former owner in connection with the acquisition of the subsidiary.

(4) LINES OF CREDIT

As of December 31, 1977, the Company was borrowing $6,969,000 under its bank credit lines described below.

Under a Credit Agreement with six major banks, which expires June 30, 1978, and is renewable annually thereafter at the option of the banks, the Company may borrow up to $9,500,000 at prime rate. A commitment fee of one-half percent is payable to the banks on the unused portion and compensating balances equal to 10% of the commitment plus 10% of the amounts borrowed are required.

The Agreement also contains provisions regarding minimum current ratio and working capital as well as limitations on investments and current debt. Cash dividends paid in any year are limited to 25% of the prior year's net income.

In addition to the above arrangements, the Company has open bank credit lines totaling $7,000,000, of which a maximum of $3,500,000 can be borrowed at any one time due to limits imposed by the agreement with the six banks. These open credit lines are available at prime interest rate and are subject to an informal compensating balance understanding of 10% of the commitment plus, in certain instances, 10% of any amounts borrowed.

DYNCORP 00564

Significant data regarding borrowings under the Company's lines of credit and Revolver-Term loan (see Note 5) are summarized below:

	1977	1976
	(In thousands)	
Weighted average borrowings outstanding during the year.....	$12,568	$6,532
Weighted average annual interest rate	7.9%	7.6%
Maximum borrowings outstanding at any month end	$16,764	$9,398
Weighted average annual interest rate on December 31 borrowings outstanding	8.3%	7.2%

(5) LONG-TERM DEBT

Long-term debt under various loan agreements is summarized below.

8-1/2% Senior Promissory Notes - $7,600,000

The agreement provides for payments in annual installments during the period 1977 through 1988. The Company, subject to certain restrictions, may prepay the notes at prices decreasing from 104.75% of principal in 1978 to 100% in 1987. A $400,000 installment payable in 1978 is included in the current portion of long-term debt.

6-7/8% Convertible Subordinated Notes - $4,075,000

The agreement provides for payments of $407,500 annually commencing in 1979 and the Company, subject to certain restrictions, may prepay the notes at prices decreasing from 103.67% of principal in 1978 to 100% in 1988. The notes are convertible into common stock at $13.93 per share (subject to periodic adjustment under antidilution provisions).

Revolver-Term Loan - $5,500,000

Under a Revolver-Term Loan Agreement with six major banks, the Company may borrow up to $5,500,000 until December 31, 1979, at interest rates of one-quarter, one-half and three-quarters percent over the prime rate for the calendar years 1977, 1978 and 1979, respectively. A commitment fee of one-half percent is payable to the banks on the unused portion and compensating balances equal to 10% of the commitment plus 10% of the amounts borrowed are required. The Company may convert any balance outstanding at December 31, 1979, to a four-year term loan with interest at 115% of the prime rate and a requirement to maintain compensating balances at 20%.

Significant Provisions

The loan agreements contain, among other things, provisions regarding minimum current ratio and working capital, limitations as to certain investments, payments of cash dividends and increases in funded debt, all as defined, and require that short-term bank borrowings be less than $1,000,000 for a period of 45 consecutive days once every 15 months.

DYNCORP 00565

At December 31, 1977 and 1976, long-term debt consisted of the following:

	1977	1976
	(In thousands)	
8-1/2% Senior Promissory Notes	$ 7,600	$ 8,000
6-7/8% Convertible Subordinated Notes	4,075	4,075
Unamortized discount on 8-1/2% and 6-7/8% Notes	(99)	(122)
Revolver-Term Loan, due in equal quarterly installments from 1980 to 1983	5,500	4,500
Series B Debentures, payable January 30, 1981, interest at 8-1/2%, convertible at $8.00 per share	616	616
Series C Debentures, payable July 1, 1982, interest at 6%, convertible at $8.00 per share, net of unamortized discount	131	127
Bank term loan, due in quarterly installments of $50,000 through 1981, interest at 1% over prime	750	950
Notes payable, due in installments through 1988, 6% to 10%	1,414	1,925
Capitalized equipment leases, payable through 1984 at various interest rates	2,504	577
	22,491	20,648
Less: Current portion	(1,820)	(915)
	$20,671	$19,733

Maturities of long-term debt for years subsequent to December 31, 1977, are as follows:

Year ended December 31,	(In thousands)
1978	$ 1,820
1979	1,797
1980	3,239
1981	3,531
1982	2,682
After 1982	9,422
	$22,491

(6) ACCRUED EXPENSES

At December 31, 1977 and 1976, accrued expenses consisted of the following:

	1977	1976
	(In thousands)	
Salaries and wages	$ 7,535	$ 5,032
Payroll and miscellaneous taxes	1,992	1,747
Interest	206	309
Other	2,924	3,012
	$12,657	$10,100

DYNCORP 00566

(7) PREFERRED STOCK

In connection with an acquisition in January, 1975, the Company placed 31,250 shares of Series B preferred stock into escrow. As of December 31, 1976, 30,000 shares of this escrowed stock was recognized as outstanding for financial reporting purposes. The remaining 1,250 shares were treated as reserved shares against representations and warranties made by the seller. During 1977, the outstanding shares were reduced by 4,910 shares to 25,090 shares as additional security against apparent breaches of representations and warranties of the seller.

Also outstanding at December 31, 1977 and 1976, were 750 shares of Series B preferred stock issued in September, 1973. The recorded value of these shares ($60,000) has been reclassified as a current liability at December 31, 1977 in anticipation of redemption as hereinafter described.

The Company's Series B preferred shares are convertible into its common stock at a rate of ten shares of common for each share of preferred and participate in cash dividends with common shares at a rate of ten to one. The Company can require conversion of the preferred stock to common stock if the market price of its common stock is $10 or more for a period of thirty days. The shares have one vote per share and are redeemable in cash at the option of the holder during a period of 210 days, commencing with the beginning of the sixtieth month from date of issuance, at the liquidation preference value plus 6% per annum compounded annually from the date of issuance, less any cash dividends received.

The Company has established an incentive stock compensation plan for key employees of an acquired company whereby up to 31,250 additional shares of Series B convertible preferred stock could be issued to plan participants, depending on the level of earnings over the three-year period ending December 31, 1979 (see Note 12).

(8) COMMON STOCK

At December 31, 1977, common stock was reserved as follows:

	Shares
Conversion of 6-7/8% subordinated notes	292,534
Conversion of debentures	205,958
Conversion of preferred stock	632,500
Employee stock options; expected to be satisfied with Treasury stock	380,519
Incentive compensation plans and employment contracts	829,050
	2,340,561

DYNCORP 00567

Under the Company's stock option plans, qualified options to purchase the Company's common stock may be granted to officers and key employees at an amount not less than market value on date of grant. These options are generally exercisable two years after grant and expire five years after grant. Options exercisable at December 31, 1977, expire as follows: 161,797 shares in 1978 and 83,200 in 1979. Options not yet exercisable total 28,450 at December 31, 1977.

The following table summarizes the option activity:

	Shares	
	1977	1976
Outstanding options at beginning of year	302,024	292,123
Options granted during the year	3,500	28,700
Options exercised during the year	(13,014)	(9,467)
Options cancelled or expired during the year ..	(19,063)	(9,332)
Outstanding options at end of year	273,447	302,024

Details with respect to options issued under the plans are as follows:

	1977	1976
Options outstanding at end of year—		
Option price and market price at date of grant—		
Per share	$1.94-$5.57	$1.94-$5.57
Total	$1,033,000	$1.139,000
Options which became exercisable during the year—		
Number	4,000	91,650
Option price—		
Per share	$2.63	$1.94-$5.57
Total	$10,520	$328,000
Market price at dates options became exercisable—		
Per share	$5.00	$3.88-$5.00
Total	$20,000	$431,000
Options exercised during the year—		
Option price—		
Per share	$2.63-$3.85	$3.63-$3.85
Total	$41,000	$34,000
Market price at dates options were exercised—		
Per share	$4.00-$5.12	$3.75-$5.62
Total	$64,000	$49,000

Shares available for the granting of options under the plans and not granted at the beginning and end of 1977 were 91,509 and 107,072, respectively.

DYNCORP 00568

(9) INCOME TAXES

The provision for income taxes consists of the following (in thousands):

	1977		
	Current	Deferred	Total
Federal	$ (353)	$ 1,365	$1,012
Foreign	892	130	1,022
State	152	247	399
	$ 691	$ 1,742	$2,433

	1976		
	Current	Deferred	Total
Federal	$1,870	$ (969)	$ 901
Foreign	782	32	814
State	436	(93)	343
	$3,088	$(1,030)	$2,058

Deferred taxes, resulting from timing differences in the recognition of revenues and expenses for tax and financial statement purposes, are as follows:

	1977	1976
	(In thousands)	
Differences between revenues recognized on book method of accounting (primarily percentage-of-completion) and on tax return (primarily completed contract)	$1,908	$(1,125)
Deferred compensation expense deductible on tax return when paid	(312)	(284)
Warranty and other reserves deductible on tax return when paid	78	475
Other	68	(96)
	$1,742	$(1,030)

Total tax expense in 1977 and 1976 was different from the amounts obtained by applying the U. S. Federal income tax rate of 48% to the respective income before tax amounts. The differences (in percentages) can be reconciled as follows:

	Percent of Pretax Income	
	1977	1976
Computed "expected" tax expense	48.0%	48.0%
State and local income taxes, net of Federal income tax benefit	4.0	3.9
Income not taxable due to capital loss carry-forward	(1.1)	(4.1)
Nondeductible foreign currency translation loss	2.8	.6
Investment, gas and job credits	(3.9)	(2.2)
Adjustment of prior periods' tax accruals	(3.5)	(2.0)
Other, net	1.1	1.0
	47.4%	45.2%

DYNCORP 00569

U. S. income taxes have not been provided on $3,677,000 of undistributed earnings of foreign subsidiaries included in consolidated retained earnings at December 31, 1977, because management's policy is to remit foreign earnings only to the extent that taxes otherwise payable at the time of distribution are expected to be offset by utilization of tax credits then available.

Capital loss carry-forwards available to offset capital gains total approximately $453,000 at December 31, 1977, of which $200,000 expire in 1978.

The Company's U.S. income tax returns have been examined and settled through 1971. The years 1972 through 1975 are currently under review by the Internal Revenue Service. In the opinion of management, the results of this review will not have a material adverse effect on the Company's financial position.

(10) QUARTERLY FINANCIAL DATA (Unaudited)

Summarized quarterly financial data (in thousands of dollars except per share amounts) for 1977 and 1976 are as follows:

	1977 Quarter Ended			
	March 31	June 30	Sept. 29	Dec. 31
Revenues	$55,060	$69,509	$77,727	$82,863
Gross profit	$ 2,093	$ 3,096	$ 4,944	$ 4,882
Net earnings (loss)	$ (202)	$ 66	$ 1,198	$ 1,643
Earnings (loss) per share:				
Primary	$ (0.04)	$ 0.01	$ 0.17	$ 0.24
Fully diluted	$ (0.04)	$ 0.01	$ 0.16	$ 0.23

	1976 Quarter Ended			
	April 1	July 1	Sept. 30	Dec. 31
Revenues	$46,241	$46,618	$51,250	$57,404
Gross profit	$ 2,919	$ 3,379	$ 3,319	$ 3,350
Net earnings	$ 542	$ 680	$ 830	$ 539
Earnings per share:				
Primary	$ 0.08	$ 0.08	$ 0.12	$ 0.08
Fully diluted	$ 0.08	$ 0.08	$ 0.11	$ 0.08

DYNCORP 00570

(11) PENSION PLANS

The Company and its subsidiaries provide funds for pension and profit sharing retirement plans covering most employees. Certain of these are union plans, the payments to which are limited by the related union contracts to fixed amounts per hours worked by covered employees. The nonunion plans generally provide that employees are eligible for retirement at age 65. The Company's present policy on fixed benefit plans is to fund the current year's normal cost of such plans plus a portion of the prior service unfunded liability. The unfunded prior service liability of the nonunion plans, based on the latest available actuarial reports, amounts to approximately $2,607,000 at December 31, 1977, and is being amortized over 30 years. The approximate cost of the nonunion plans, included in costs and expenses in the accompanying consolidated statements of earnings, was $812,000 in 1977 and $751,000 in 1976, including amortization of prior service liability. In the aggregate, the net assets of the respective nonunion pension funds exceeded the actuarially computed value of participants' vested benefits at December 31, 1977.

(12) EARNINGS PER SHARE

Earnings per share computations are based on the weighted average number of common shares and dilutive common equivalent shares outstanding during the respective years. The weighted average number of common shares and common equivalent shares used in determining primary earnings per share for 1977 was 6,686,554 and for 1976 was 6,531,154. Net earnings for purposes of computing earnings per share have been adjusted for preferred stock dividends and amortization of contingent expenses.

Under terms of incentive plans based on earnings, the employees of certain acquired companies can earn an additional $6,090,000, of which $4,395,000 can be paid either in cash or common stock at the option of the Company. The earnings level of these acquired companies since acquisition is sufficient to project attainment of $4,016,000 of the maximum amount. The Company has recorded $2,777,000, which is the portion earned through December 31, 1977, and could pay $2,566,000 of the recorded amount in its common stock. It is the intention of the Company at this time to satisfy these contingent obligations in cash. Accordingly, the weighted average number of common shares outstanding does not include any shares which could be paid as future satisfaction of these contingencies.

Under terms of an incentive plan based on earnings during the period 1977 to 1979 (see Note 7), the employees of an acquired company can earn an additional $2,500,000 payable in 1980 in convertible preferred stock. The earnings per share computation assumes conversion of preferred shares which would be issuable based on the currently attained level of earnings projected to the end of the period.

DYNCORP 00571

(13) INCENTIVE COMPENSATION PLANS

The Company and its subsidiaries have established certain incentive compensation plans. The most significant plans, which generally cover officers and key employees, are:

Management Incentive Compensation Plan (Management Plan)

The Management Plan is administered by a committee composed of the Chairman of the Board and three outside directors. The maximum amount that can be distributed under the plan is equal to 10% of the Company's net earnings (as defined) during the year in excess of 12% of the Company's average capital investment (as defined), plus an additional amount not to exceed 0.5% of the Company's consolidated revenues. Awards are discretionary but may not exceed 80% of annual base compensation for any individual.

Profit Sharing Plan for Operating Divisions and Subsidiaries (Profit Sharing Plan)

The Profit Sharing Plan is administered by the President of the Company. The maximum amount that can be distributed under the Plan, unless otherwise approved by the Executive Committee of the Board, is equal to 5% of the earnings base (as defined) of each participating division or subsidiary. No participant under the Profit Sharing Plan is eligible to receive compensation thereunder in an amount in excess of 60% of said participant's base salary for the year.

In addition to the above, incentive bonus plans were established for certain officers and key employees of acquired companies (see Note 12). These plans provide for payments in cash or stock at a future date depending upon attainment of earnings (as defined) in excess of stipulated base amounts over specified periods of time (generally three or four years). In addition, certain subsidiaries not covered under the Profit Sharing Plan have established their own individual profit sharing plans.

The aggregate amount of incentive compensation expense included in the consolidated statements of earnings was as follows:

	1977	1976
	(In thousands)	
Management plan	$ 672	$ 547
Profit sharing plan	756	415
Special plans for employees of acquired companies	1,098	571
Other plans	65	381
	$2,591	$1,914

DYNCORP 00572

(14) LEASES

In accordance with Financial Accounting Standards Board Statement No. 13, the Company has capitalized all leases entered into in 1977 which met the criteria for classification as capital leases as defined in the statement. The gross amount of assets recorded under capitalized leases as of December 31, 1977 was $3,095,000. Such amount is primarily attributable to leases for vehicles and other equipment included in Machinery and Equipment and is being depreciated.

Future minimum lease payments at December 31, 1977, under noncancellable leases (net of sublease rental income) are summarized below:

	Capitalized leases	Operating leases
	(In thousands)	
Years ending December 31,		
1978	$ 910	$1,693
1979	892	1,351
1980	707	984
1981	375	815
1982	99	585
1983-1987	26	1,864
1988-1992	—	232
Total minimum lease payments	$3,009	$7,524

The Company does not have any significant leases entered into prior to 1977 for capital assets which have not been capitalized.

Net rent expense for leases, excluding amounts for capitalized leases, for the years 1977 and 1976 amounted to $3,038,000 and $2,681,000, respectively. Rental income from subleases, which is not material, has been netted against rent expense.

(15) COMMITMENTS, CONTINGENCIES AND LITIGATION

The Company and certain of its wholly-owned subsidiaries are parties to various civil lawsuits which have arisen in the normal course of business. While it is not possible to predict with certainty the outcome of such litigation, it is the opinion of Company management, based in part upon opinions of counsel and insurance in force, that liability, if any, arising from such lawsuits would not individually or in the aggregate have a material adverse effect on the consolidated financial position of the Company.

In 1977, a subsidiary of the Company performed substantial work on a coal-fired power plant under a contract with Colorado-Ute Electric Association, Inc. On December 29, 1977, Colorado-Ute ordered all work stopped under the contract as of December 31, 1977, alleging default by the Company's subsidiary. In the opinion of management, based on advice of counsel and independent professional engineers, the Company's subsidiary was not in default of the contract and Colorado-Ute does not have a basis for proceeding against the subsidiary for damages.

DYNCORP 00573

A substantial part of the Company's business is with departments and agencies of the U.S. Government and was subject through September, 1976 to the Renegotiation Act of 1951. The Company has been cleared by the Renegotiation Board through 1970. In addition, the Company frequently extends patent indemnity commitments and performance guarantees in connection with the licensing of processes. In the opinion of management, the consolidated financial position of the Company will not be materially adversely affected by such matters.

As of November 11, 1977, the Company entered into a joint and several liability agreement with Kawasaki Heavy Industries, Ltd. of Japan (KHI) and Saudi American Maintenance and Technical Services, Ltd., a Saudi Company in formation (SAMTS), in order to implement prior to official registration of SAMTS a $28 million contract (the Main Subcontract) for the operation and maintenance of helicopters in Saudi Arabia. SAMTS is to be owned 25% by the Company and 75% by Saudi nationals and will subcontract a major portion of the work to be performed to the Company. During December, KHI made an advance payment of $5,725,000 under provisions of the Main Subcontract. Approximately $5,000,000 of the advance payment remained in time deposits until SAMTS made payments totaling $4,328,000 to the Company in January, 1978 as scheduled by the subcontract. Upon completion of the formation of SAMTS, the joint and several agreement will become null and void.

(16) BUSINESS SEGMENTS

Financial information regarding the Company's business segments is presented on page 7.

DYNCORP 00574

DYNALECTRON CORPORATION AND SUBSIDIARIES

SCHEDULE II - AMOUNTS RECEIVABLE FROM UNDERWRITERS, PROMOTERS, DIRECTORS, OFFICERS, EMPLOYEES AND PRINCIPAL HOLDERS (OTHER THAN AFFILIATES) OF EQUITY SECURITIES OF THE PERSON AND ITS AFFILIATES

FOR THE YEARS ENDED DECEMBER 31, 1977 AND 1976 (In thousands)

Name of debtor	Balance at beginning of period	Additions	Deductions		Balance at end of period	
			Amounts Collected	Amounts Written Off	Current	Not Current
December 31, 1976						
W. L. Trent, Jr.	$189		$(12)		$47	$130
J. W. Gibson	65					65
A. A. Bradford	76					76
	$330		$(12)		$47	$271
December 31, 1977						
W. L. Trent, Jr.	$177		$(77)		$100	
J. W. Gibson	65				17	$ 48
A. A. Bradford	76	$49				125
	$318	$49	$(77)		$117(1)	$173(1)

(1) See Note 3 of Notes to Consolidated Financial Statements.

DYNCORP 00575

DYNALECTRON CORPORATION AND SUBSIDIARIES

SCHEDULE V - PROPERTY AND EQUIPMENT

FOR THE YEARS ENDED DECEMBER 31, 1977 AND 1976 (In thousands)

Classification	Balance at beginning of period	Additions at cost	Retirements or sales	Other changes - add (deduct)	Balance at end of period
December 31, 1976					
Land	$ 1,247	$ —	$ (22)	$ —	$ 1,225
Buildings and leasehold improvements	4,484	463	(102)	32 (1)	4,877
Machinery and equipment	10,242	2,238	(638)	1,083 (1)	12,925
	$15,973	$2,701	$ (762)	$1,115	$19,027
December 31, 1977					
Land	$ 1,225	$ 88	$ (54)	$ —	$ 1,259
Buildings and leasehold improvements	4,877	519	(669)	32 (2)	4,759
Machinery and equipment	12,925	4,673	(1,163)	522 (2)	16,957
	$19,027	$5,280	$(1,886)	$ 554	$22,975

	Buildings and leasehold improvements	Machinery and equipment
(1) Cost of property and equipment, on dates of acquisition, of companies purchased is as follows:		
Kennedy Electric	$16	$ 322
PAC ORD	16	761
	$32	$1,083

(2) Elimination of reserves established at acquisition of various companies for assets which have been disposed of. Offset is to accumulated depreciation (Schedule VI).

DYNCORP 00576

DYNALECTRON CORPORATION AND SUBSIDIARIES

SCHEDULE VI - ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY AND EQUIPMENT

FOR THE YEARS ENDED DECEMBER 31, 1977 AND 1976 (In thousands)

Description	Balance at beginning of period	Additions charged to costs and expenses	Retirements or sales	Other changes - add (deduct)	Balance at end of period
December 31, 1976					
Buildings and leasehold improvements	$ 970	$ 307	$ (100)		$1,177
Machinery and equipment	4,638	1,920	(575)		5,983
	$5,608	$2,227	$ (675)		$7,160
December 31, 1977					
Buildings and leasehold improvements	$1,177	$ 349	$ (271)	$ 32 (1)	$1,287
Machinery and equipment	5,983	2,509	(797)	522 (1)	8,217
	$7,160	$2,858	$(1,068)	$554	$9,504

(1) Elimination of reserves established at acquisition of various companies for corresponding assets which have been disposed of. Offset is to property and equipment (Schedule V).

DYNCORP 00577

DYNALECTRON CORPORATION AND SUBSIDIARIES

SCHEDULE VII - INTANGIBLE ASSETS

FOR THE YEARS ENDED DECEMBER 31, 1977 AND 1976 (In thousands)

Description	Balance at Beginning of Period	Additions at Cost	Deductions		Other Changes Add (deduct)	Balance at Close of Period
			Charged to Costs and Expenses	Charged to Other Accounts		
December 31, 1976						
Cost in excess of net tangible assets of businesses acquired	$3,380 $3,380	$2,409 (1) 225 (1) 93 (2) $2,727		$ 29 (3) 409 (4) $438		$5,669 $5,669
December 31, 1977						
Cost in excess of net tangible assets of businesses acquired	$5,669 $5,669			$ 84 (5) 319 (6) $403		$5,266 $5,266

(1) Additional consideration accrued in connection with earn-out provisions of subsidiaries acquired.
(2) Subsidiary acquired January, 1976.
(3) Transferred to long-term receivable as warranty claim against former owners.
(4) Negative goodwill in connection with subsidiary acquired.
(5) Previously unrecorded assemblage costs which increase the investment in a subsidiary and the negative goodwill.
(6) Adjustment for estimated reduction of purchase price ($393) and adjustment of fair value of assets acquired ($74).

DYNCORP 00578

DYNALECTRON CORPORATION AND SUBSIDIARIES

SCHEDULE VIII - ACCUMULATED DEPRECIATION AND AMORTIZATION OF INTANGIBLE ASSETS

FOR THE YEARS ENDED DECEMBER 31, 1977 AND 1976 (In thousands)

Description	Balance at Beginning of Period	Additions		Deductions	Balance at End of Period
		Charged to Costs and Expenses	Charged to Other Accounts		
December 31, 1976					
Accumulated amortization of cost in excess of net tangible assets of businesses acquired	$415	$148	$49 (1)		$612
December 31, 1977					
Accumulated amortization of cost in excess of net tangible assets of businesses acquired	$612	$135			$747

(1) Charged to paid-in surplus

DYNCORP 00579

DYNALECTRON CORPORATION AND SUBSIDIARIES

SCHEDULE XII - RESERVES (4)

FOR THE YEARS ENDED DECEMBER 31, 1977 AND 1976 (In thousands)

Description	Balance at beginning of period	Additions		Deductions	Balance at end of period
		Charged to costs and expenses	Charged to other accounts		
December 31, 1976					
Allowance for doubtful accounts	$ 732	$298(B)	$58 (1)(3)	$ 240 (2)	$ 848
Allowance for possible non-recovery of long-term receivables	223		2 (1)	46 (2)	179
	$ 955	$298	$60	$ 286	$1,027
December 31, 1977					
Allowance for doubtful accounts	$ 848	$167 (A)	$71 (1)	$ 242 (2)	$ 814
Allowance for possible non-recovery of long-term receivables	179			19 (2)	160
	$1,027	$167	$41	$ 261	$ 974

NOTES:

(1) Charged to unbilled costs, overhead and other.
(2) Write-off of uncollectible accounts.
(3) Includes reserve on date of acquisition of companies acquired and accounted for as purchases.
(4) The consolidated statements of earnings include the following provisions for doubtful accounts for the years ended December 31, 1977 and 1976:

	1977	1976
	$167 (A)	$298 (B)
Add: Write-offs charged directly to expense	207	28
Less: Recovery of amounts previously written off	(36)	(71)
	$338	$255

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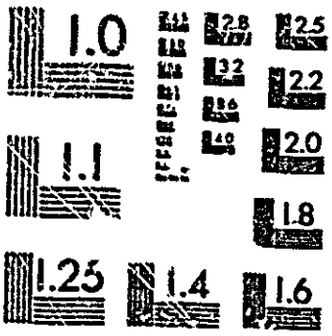

MICROCOPY RESOLUTION TEST CHART
NATIONAL BUREAU OF STANDARDS-1963-A

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DYNALECTRON CORPORATION AND SUBSIDIARIES

SCHEDULE XVI - SUPPLEMENTARY INCOME STATEMENT INFORMATION

FOR THE YEARS ENDED DECEMBER 31, 1977 AND 1976 (In thousands)

Item	Charged to costs and expenses	
	1977	1976
Taxes, other than income taxes -		
Payroll	$6,724	$5,020
Other	1,726	795
Repairs and maintenance	2,636	2,219

NOTE:

Other items of supplementary income statement information are omitted because they constitute less than one percent of total consolidated revenues as reported in the consolidated statements of earnings or they are separately disclosed elsewhere herein.

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DYNALECTRON CORPORATION AND SUBSIDIARIES

DISCUSSION OF CHANGES IN SUPPLEMENTARY PROFIT AND LOSS ITEMS

FOR THE YEARS ENDED DECEMBER 31, 1977 AND 1976

Changes in supplementary profit and loss items are explained as follows:

a) Repairs and maintenance, depreciation and amortization of property and equipment, other taxes and rents.

The total of these items was $17, $12.9 and $10.8 million for 1977, 1976 and 1975. The increase in these items resulted from (i) the purchase of Kennedy Electric Company, Inc. in January, 1976 and the purchase of PAC ORD in June, 1976; (ii) the charge during 1977 of prior years' New Mexico Gross Receipts and Compensating Use Tax (the charge was reimbursable under a Government contract ; (iii) the increase in the number of employees of the Registrant and increases in wages subject the FICA tax for all years; and (iv) the Registrant's continued investment in property and equipment.

b) Research and development.

The Registrant expensed research and development costs of $216,000, $305,000 and $17,000 in 1977, 1976 and 1975 respectively. The low expense in 1975 was due to very little independent research and development as the majority of the effort in this area was with the ERDA H-Coal contract. The increase in expense since 1975 was due to (i) work on the Dyn-Lucas Cyclonic Furnace which was discontinued in the beginning of 1977; and (ii) the pursuit into new fields by the Hydrocarbon Group.

c) Amortization of cost in excess of net tangible assets of businesses acquired.

Charges to expense for the above were $135,000, $148,000 and $160,000 in 1977, 1976 and 1975 respectively. The 1975 expense was high due to an accelerated write-off of goodwill associated with a certain non-profitable subsidiary. The decrease in 1977 expense was due to reduction of goodwill for several subsidiaries. The Company, however, generally amortizes goodwill on a straight-line basis over a 40-year period.

DYNCORP 00583

EXHIBIT "A"

DYNALECTRON CORPORATION AND SUBSIDIARIES

COMPUTATIONS OF EARNINGS PER COMMON SHARE (a)

FOR THE FIVE YEARS ENDED DECEMBER 31, 1977

(Dollars in Thousands Except Per Share Amounts)

	1977	1976	1975	1974	1973
Earnings					
Primary:					
Net earnings per Consolidated Statements of Earnings	$ 2,705	$ 2,491	$ 3,165	$ 2,223	$ 2,027
Amortization of contingent goodwill	(10)	(2)	(49)	(17)	(24)
Preferred stock dividend - Regular	(16)	(7)	—	—	—
Redemption (contingent)	(122)	(136)	—	—	—
	$ 2,557	$ 2,351	$ 3,116	$ 2,206	$ 2,003
Fully Diluted:					
Net earnings for primary	$ 2,557	$ 2,351	$ 3,116	$ 2,206	$ 2,003
After tax interest on convertible debentures	57	48	32	—	—
Assumed earnings to meet conditions for issuance of common stock equivalents ...	—	108	—	—	—
	$ 2,614	$ 2,507	$ 3,148	$ 2,206	$ 2,003
Shares					
Primary:					
Weighted average common shares outstanding	6,513,434	6,500,654	6,493,613	6,564,144	6,454,172
Common stock issuable on exercise of stock options ..	26,870	30,122	1,909	12,500	638
Incentive shares, contingent on earnings	146,250	378	11,500	167,018	291,767
Commitment to repurchase shares	—	—	—	(170,580)	—
Dilutive conversion of preferred shares	—	—	289,190	—	—
	6,686,554	6,531,154	6,796,212	6,573,088	6,746,577
Primary earnings per common share	$ 0.38	$ 0.36	$ 0.46	$ 0.34	$ 0.30
Fully Diluted:					
Shares outstanding for primary	6,686,554	6,531,154	6,796,212	6,573,088	6,746,577
Additional common shares issuable on exercise of stock options	3,061	22,240	586	—	2,225
Dilutive effect of exercise of convertible debentures and preferred stock	189,061	439,860	98,375	—	—
	6,878,676	6,993,254	6,895,173	6,573,088	6,748,802
Earnings per common share assuming full dilution	$ 0.38	$ 0.36	$ 0.46	$ 0.34	$ 0.30

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

EXHIBIT B - (6)

TO

FORM 10-K, ANNUAL REPORT FOR 1977

OF

DYNALECTRON CORPORATION

File No. 1-3879-2

DYNALECTRON CORPORATION

CERTIFICATE OF AMENDMENT TO

CERTIFICATE OF INCORPORATION

ADOPTED MAY 18, 1977

RECN124 PAGE 678

CERTIFICATE OF AMENDMENT

OF

CERTIFICATE OF INCORPORATION

Dynalectron Corporation, a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware, does hereby certify:

FIRST: That at a meeting of the Board of Directors of Dynalectron Corporation duly held and convened, a resolution was duly adopted setting forth a proposed amendment to the Certificate of Incorporation of said corporation, declaring said amendment to be advisable and calling a meeting of the stockholders of said corporation for consideration thereof. The resolution setting forth the proposed amendment is as follows:

> RESOLVED, that the Board of Directors recommend to the stockholders of this Corporation at the next Annual Meeting thereof that the Certificate of Incorporation be amended to increase the number of authorized common stock from Ten Million (10,000,000) Shares to Fifteen Million (15,000,000) Shares, and that, accordingly, the first full paragraph of ARTICLE FOURTH of the Certificate of Incorporation of this Corporation be amended and modified to read as follows:
>
> > "FOURTH: The authorized Capital Stock of the Corporation shall consist of Fifteen Million (15,000,000) Shares of Common Stock, with a par value of Ten Cents ($.10) per share, and One Million (1,000,000) Shares of Preferred Stock, with a par value of Ten Cents ($.10) per share."

SECOND: That thereafter, pursuant to resolution of its Board of Directors, the Annual Meeting of Stockholders of said corporation was duly called and held on May 18, 1977, upon notice in accordance with Section 222 of the General Corporation Law of the State of Delaware at which meeting the necessary number of shares as required by statute were voted in favor of the amendment.

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

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FOURTH: That said amendment does not affect any change in the issued shares of said corporation.

IN WITNESS WHEREOF, said Dynalectron Corporation has caused its corporate seal to be hereunto affixed and this Certificate to be signed by David L. Reichardt, its Vice President, and attested by Arnold Janofsky, its Secretary, this 27th day of June, 1977.

ATTEST:

Arnold Janofsky
Secretary

DYNALECTRON CORPORATION

By:
David L. Reichardt
Vice President

COUNTY OF FAIRFAX)
) ss
STATE OF VIRGINIA)

BE IT REMEMBERED that on this 27th day of June, 1977, personally came before me, a Notary Public in and for the County of Fairfax, State of Virginia, David L. Reichardt, Vice President of Dynalectron Corporation, a corporation of the State of Delaware, and he duly executed said Certificate before me and acknowledged the said Certificate to be his act and deed and the act and deed of said corporation and the facts stated therein are true; and that the seal affixed to said Certificate and attested by the Secretary of said corporation is the corporate seal of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal of office the day and year aforesaid.

Notary Public

NOTARIAL SEAL

My Commission Expires Nov. 10, 1979

vb

REC N124 PAGE 630

State of DELAWARE

Office of SECRETARY OF STATE

I, Glenn C. Kenton Secretary of State of the State of Delaware, do hereby certify that the above and foregoing is a true and correct copy of

Certificate of Amendment of the "DYNALECTRON CORPORATION", as received and filed in this office the fifth day of July, A.D. 1977, at 10 o'clock A.M.

In Testimony Whereof, I have hereunto set my hand and official seal at Dover this fifth day of July in the year of our Lord one thousand nine hundred and seventy-seven.

Glenn C. Kenton

Secretary of State

Assistant Secretary of State

FORM 120 REC'D FOR RECORD JUL 5 1077 19 LEO J. DUGAN, Jr. Recorder

SECURITIES AND EXCHANGE COMMISSION
Washington D. C. 20549

EXHIBIT C

TO

FORM 10-K, ANNUAL REPORT FOR 1977

OF

DYNALECTRON CORPORATION

File No. 1-3879-2

DYNALECTRON CORPORATION

BY-LAWS,

AS AMENDED TO DATE

DYNALECTRON CORPORATION

By-laws

Offices

1. The principal office shall be in the City of Wilmington, County of New Castle, State of Delaware, and the name of the resident agent in charge thereof is the Corporation Trust Company.

2. The Corporation may also have an office in the McLean area of Fairfax County, State of Virginia, and also offices at such other places as the Board of Directors may from time to time determine or the business of the Corporation may require.

STOCKHOLDERS' MEETINGS

3. All meetings of the Stockholders for the election of Directors shall be held at the office of the Corporation in the McLean area of Fairfax County, Virginia, or at such other place in the Northern Virginia/Washington, D.C. areas as shall be stated in the notice of the meeting. Meetings of Stockholders for any other purpose may be held at such place and time as shall be stated in the notice of the meeting.

4. An Annual Meeting of Stockholders shall be held on the third Wednesday of May in each year if not on a legal holiday, then on the next secular day following, at 1:30 p.m., at which they shall elect by a plurality vote, by ballot, a Board of Directors, and transact such other business as may properly be brought before the meeting.

5. Written notice of the Annual Meeting shall be served upon or mailed to each stockholder entitled to vote thereat at such address as appears on the books of the Corporation, at least ten days prior to the meeting.

6. At least ten days before every election of Directors, a complete list of the stockholders entitled to vote at said election, arranged in alphabetical order, with the residence of each and the number of voting shares held by each, shall be prepared by the Secretary. Such list shall be open at the place where the election is to be held for said ten days, to the examination of any stockholder, and shall be produced and kept at the time and place of election during the whole time thereof, and subject to the inspection of any stockholder who may be present.

7. Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by statute or by the Certificate of Incorporation, may be called by the President and shall be called by the President or Secretary at the request in writing of a majority of the Board of Directors, or at the request in writing of stockholders owning a majority in amount of the entire capital stock of the Corporation issued and outstanding and entitled to vote. Such request shall state the purpose or purposes of the proposed meeting.

8. Written notice of a special meeting of stockholders, stating the time and place and object thereof, shall be served upon or mailed to each stockholder entitled to vote thereat at such address as appears on the books of the Corporation, at least ten days before such meeting.

9. Business transacted at all special meetings shall be confined to the objects stated in the call.

10. The holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall be requisite and shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute, or by the Certificate of Incorporation or by these By-Laws. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn

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the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented any business may be transacted which might have been transacted at the meeting as originally notified.

11. When a quorum is present at any meeting, the vote of the holders of a majority of the stock having voting power present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one upon which by express provision of the statutes or of the Certificate of Incorporation or of these By-Laws, a different vote is required in which case such express provision shall govern and control the decision of such question.

12. At any meeting of the stockholders every stockholder having the right to vote shall be entitled to vote in person, or by proxy appointed by an instrument in writing subscribed by such stockholder and bearing a date not more than three years prior to said meeting, unless said instrument provides for a longer period. Each stockholder shall have one vote for each share of stock having voting power, registered in his name on the books of the Corporation, and except where the transfer books of the Corporation shall have been closed or a date shall have been fixed as a record date for the determination of its stockholders entitled to vote, no share of stock shall be voted on at any election of Directors which shall have been transferred on the books of the Corporation within twenty days next preceding such election of Directors.

13. Whenever the vote of stockholders at a meeting thereof is required or permitted to be taken in connection with any Corporate action by any provisions of the statutes or the Certificate of Incorporation of these By-Laws, the meeting and vote of stockholders may be dispensed with, if all the stockholders who would have been

entitled to vote upon the action if such meeting were held, shall consent in writing to such corporate action being taken.

DIRECTORS

14. The number of Directors which shall constitute the whole Board shall be eleven (11). The Directors shall be elected at the Annual Meeting of the Stockholders, and each Director shall be elected to serve until his successor shall be elected and qualify.

15. The Directors may hold their meetings and keep the books of the Corporation, except the original or duplicate stock ledger, outside of Delaware, at the office of the Corporation in the City of San Francisco, California, or at such other places as they may from time to time determine.

16. If the office of any Director or Directors becomes vacant by reason of death, resignation, retirement, disqualification, removal from office, or otherwise, a majority of the remaining Directors though less than a quorum, shall choose a successor or successors, who shall hold office for the unexpired term in respect to which such vacancy occurred or until the next election of Directors.

17. The property and business of the Corporation shall be managed by its Board of Directors which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Certificate of Incorporation or by these By-Laws directed or required to be exercised or done by the stockholders.

COMMITTEES OF DIRECTORS

18a. The Board of Directors at its first meeting after each annual meeting of the stockholders shall designate one or more of its members who together with the Chairman of the Board and the President shall constitute the Executive Committee of the Board of Directors. The Executive Committee shall have and may exercise all of the powers of the Board of Directors as may be lawfully delegated in the management of the business and affairs of the corporation and shall have the power to authorize the seal of the corporation to be affixed to all papers which may require it.

18b. The Board of Directors may, by resolution or resolutions passed by a majority of the whole Board, designate one or more additional committees consisting of two or more of the Directors of the Corporation. Such additional committee or committees shall have and may exercise such powers and shall have such names as are provided in said resolution or resolutions.

19. The committees shall keep regular minutes of their proceedings and report the same to the Board when required.

ADVISORY DIRECTORS

20. The Board of Directors may appoint Advisory Directors whose experience and knowledge would be useful to the Board, said Advisory Directors to be former members of the Board or current shareholders. Such Advisory Directors shall be no more than four (4) in number and shall serve at the pleasure of the Board with terms expiring as of each Annual Meeting of Shareholders. Advisory Directors shall be given notice of and may attend meetings

of the Board of Directors, but shall not be considered a member of the Board of Directors. Advisory Directors shall have no right to vote, and shall not be counted in determining whether a quorum is present at any meeting. Advisory Directors shall not be charged with responsibilities, nor shall they be subject to the liabilities of Directors. An Advisory Director may be appointed as an Advisory Member of any Committee of the Board.

COMPENSATION OF DIRECTORS AND ADVISORY DIRECTORS

21(a) Directors, as such, shall not receive any stated salary for their services, but, by resolution of the Board, may be allowed an annual fee and/or a fixed sum for attendance at each regular or special meeting of the Board, together with any expenses of attendance; provided that nothing herein contained shall be construed to preclude any Director from serving the Corporation in any other capacity and receiving compensation therefor.

21(b) Members of special or standing committees may be allowed like compensation for attending committee meetings.

21(c) Advisory Directors by resolution of the Board may also be allowed an annual fee and/or a fixed sum for services as Advisory Members and/or for attendance at each regular or special meeting of the Board, together with any expenses of attendance.

MEETING OF THE BOARD

22. The first meeting of each newly elected Board shall be held at such time and place either within or without the State of Delaware as shall be fixed by the vote of the stockholders at the annual meeting and no notice of such meeting shall be necessary to the newly elected Directors in order legally to constitute the meeting provided a quorum shall be present, or they may meet at such place and time as shall be fixed by the consent in writing of all the Directors.

23. Regular meetings of the Board may be held without notice at such time and place either within or without the State of Delaware as shall from time to time be determined by the Board.

24. Special meeting of the Board may be called by the Chairman of the Board or by the President on one day's notice to each Director, either personally or by mail or by telegram; special meetings shall be called by the Chairman of the Board or President or Secretary in like manner and on like notice on the written request of two Directors.

25. At all meetings of the Board the presence of four (4) Directors shall be necessary and sufficient to constitute a quorum for the transaction of business and the act of a majority of the Directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, except as provided by statute or by the certificate of incorporation or by these By-laws. If a quorum shall not be present at any meeting of Directors, the Directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a

quorum shall be present.

REIMBURSEMENT AND INDEMNIFICATION OF OFFICERS, DIRECTORS AND ADVISORY DIRECTORS

25. (a) The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, arbitrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he is or was a director, Advisory Director/officer, employee or agent of the Corporation, or is or was serving at the request of the corporation as a director; Advisory Director/officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

(b) The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason

of the fact that he is or was a director, Advisory Director/officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, Advisory Director/officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the Corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

(c) To the extent that a director, Advisory Director/officer, employee or agent of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in subsections (a) or (b), or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

(d) Any indemnification under subsections (a) or (b) (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director, Advisory Director/officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in subsections (a) and (b). Such determination shall be made (1) by the Board of Directors by a majority vote of a quorum consisting of directors who were

not parties to such actions, suit or proceeding, or (2) if such a quorum is not obtainable, or, even if obtainable, a quorum of disinterested directors so directs, by independent legal counsel in a written opinion.

(e) Expenses incurred in defending a civil or criminal action, suit or proceeding may be advanced by the Corporation in advance of the final disposition of such action, suit or proceeding, upon receipt of an undertaking by or on behalf of the director, Advisory Director, officer, employee or agent to repay such amount unless it shall ultimately be determined that he is entitled to be indemnified by the Corporation as authorized in this section.

(f) The rights of indemnity provided in this bylaw shall not be deemed exclusive and the Corporation may, by contract, vote of stockholders, or disinterested directors, or otherwise, further indemnify directors, Advisory Directors, officers, employees or agents of the Corporation to the full extent permitted under the laws of the State of Delaware or any other applicable laws, now or hereafter in effect, both as to matters in such person's official capacity and as to action in another capacity while holding such office, and the provisions of this bylaw shall inure to the benefit of a person who has ceased to be a director, Advisory Director, officer, employee or agent and to the benefit of the heirs, executors, and administrators of such a person.

(g) The foregoing rights shall be available in respect of any claim, action, suit or proceeding whether or not based upon matters which antedate the adoption of this bylaw.

NOTICES

26. Whenever under the provisions of the statutes or of the certificate of incorporation or of these Bylaws, notice is required to be given in writing, by mail,

by depositing the same in a post office or letter box, in a post-paid sealed wrapper, addressed to such director or stockholder at such address as appears on the books of the Corporation, or in default of other address, to such director or stockholder at the General Post Office in the City of Wilmington, Delaware, and such notice shall be deemed to be given at the time when the same shall be thus mailed.

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

OFFICERS

28. The officers of the Corporation shall be chosen by the directors and shall be a Chairman of the Board, a President, an Executive Vice President, a Vice President, a Secretary and a Treasurer. The Board of Directors may also choose one or more Senior Vice Presidents, additional Vice Presidents, and one or more Assistant Secretaries and Assistant Treasurers. Two or more offices may be held by the same person, except that where the offices of President and Secretary are held by the same person, such person shall not hold any other office.

29. The Board of Directors at its first meeting after each annual meeting of the Stockholders shall choose a Chairman of the Board of Directors and a President from its members, and one or more Vice Presidents, a Secretary and a Treasurer, none of whom need be a member of the Board.

30. The Board may appoint such other officers and agents as it shall deem necessary, who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board.

31. The salaries of all officers and agents of the Corporation shall be fixed by the Board of Directors.

32. The officers of the Corporation shall hold office until their successors are chosen and qualify in their stead. Any officer elected or appointed by the Board of Directors may be removed at any time by the affirmative vote of a majority of the whole Board of Directors. If the office of any officer becomes vacant for any reason, the vacancy shall be filled by the Board of Directors.

THE CHAIRMAN OF THE BOARD

33. The Chairman of the Board shall preside at all meetings of the stockholders, Directors and Executive Committee and shall be ex-officio a member of all other standing committees. He shall see that all votes and resolutions of the Board are carried into effect. He shall also perform such other duties as may from time to time be assigned to him by the Board of Directors or the Executive Committee.

THE PRESIDENT

34. The President shall be the chief executive officer of the Corporation. He shall report to the Board of Directors and shall have active and general charge and control of all affairs of the Corporation. To him shall report the Executive Vice President and such other corporate officers as he shall designate. The President shall preside at all meetings of the stockholders, Directors and the Executive Committee in the absence of the Chairman of the Board. He shall execute bonds, mortgages and other contracts requiring a seal, under the seal of the Corporation, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the Board of Directors to some other officer or agent of the Corporation.

VICE PRESIDENTS

35(a) The Executive Vice President shall be the chief operating officer of the Corporation and, subject to the direction of the President, shall manage the operations of the Corporation. In the absence or disability of the President, he shall perform all the duties and exercise the powers of the President. He shall also perform such other duties as the President, the Executive Committee or the Board of Directors shall prescribe.

(b) The Senior Vice Presidents, in the order of their seniority in the office of Vice President, shall, in the absence or disability of the President and the Executive Vice President, perform the duties and exercise the powers of the President and the Executive Vice President and shall perform such other duties as the President, Executive Vice President, the Executive Committee or the Board of Directors may prescribe.

(c) The Vice Presidents shall perform such duties as the President, the Executive Vice President, the Executive Committee, the Board of Directors or any Senior Vice President to whom they may report shall prescribe.

THE SECRETARY AND ASSISTANT SECRETARIES

36. The Secretary shall attend all sessions of the Board and all meetings of the stockholders and record all votes and the minutes of proceedings in a book to be kept for that purpose and shall perform like duties for the standing committees when required. He shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors, and in his capacity as Secretary shall perform such other duties as may be prescribed by the Board of Directors, the Executive Committee or the President. He shall keep in a safe custody

the seal of the Corporation and, when authorized by the Board, affix the same to any instrument requiring it and, when so affixed, it shall be attested by his signature or by the signature of the Treasurer or an Assistant Secretary or an Assistant Treasurer.

37. That Assistant Secretaries in the order designated from time to time by the Secretary shall, in the absence or disability of the Secretary, perform the duties and exercise the powers of the Secretary and shall perform such other duties as the Board of Directors shall prescribe.

THE TREASURER AND ASSISTANT TREASURERS

38. The Treasurer shall have the custody of the Corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all monies and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Executive Committee or the Board of Directors.

39. He shall disburse the funds of the Corporation as may be ordered by the Executive Committee or the Board, taking proper vouchers for such disbursements, and shall render to the President and Directors, at the regular meetings of the Board, or whenever they may require it, an account of all his transactions as Treasurer and of the financial condition of the Corporation.

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

41. The Assistant Treasurers in the order of their seniority shall, in the absence or disability of the Treasurer, perform the duties and exercise the powers of the Treasurer and shall perform such other duties as the Executive Committee or the Board of Directors shall prescribe.

CERTIFICATE OF STOCK

42. The Certificates of Stock of the Corporation shall be numbered and shall be entered in the books of the Corporation as they are issued. They shall exhibit the holder's name and number of shares and shall be signed by the President or a Vice President and the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer, transfer agent, or registrar at the date of issuance. Any of or all the signatures on the certificate may be a facsimile.

TRANSFER OF STOCK

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

CLOSING OF TRANSFER BOOKS

44. The Board of Directors shall have the power to close the stock transfer books of the Corporation for a period not exceeding fifty days preceding the date of any meeting of stockholders or the date for payment of any dividend or the date for the allotment rights or the date when any change or conversion or exchange of capital stock shall go into effect or for a period not exceeding fifty days in connection with obtaining the consent of stockholders for any purpose; provided, however, that in lieu of closing the stock transfer books as aforesaid, the Board of Directors may fix in advance a date, not exceeding fifty days preceding the date of any meeting of stockholders, or the date for the payment of any dividend, or the date for the allotment of rights, or the date when any change or conversion or exchange of capital stock shall go into effect or a date in connection with obtaining such consent, as a record date for the determination of the stockholders entitled to notice of, and to vote at, any such meeting, and any adjournment thereof, or or entitled to receive payment of any such dividend, or to any such allotment of rights, or to exercise the rights in respect of any such change, conversion or exchange of capital stock or to give such consent, and in such case such stockholders and only such stockholders as shall be stockholders of record on the date so fixed shall be entitled to such notice of, and to vote at, such meeting and any adjournment thereof, or to receive payment of such dividend, or to receive such allotment of rights, or to exercise such rights or to give such consent, as the case may be, notwithstanding any transfer of any stock on the books of the Corporation after any such record date fixed as aforesaid.

REGISTERED STOCKHOLDERS

45. The Corporation shall be entitled to treat the holder of record of any share or shares of stock as the holder in fact thereof and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

LOST CERTIFICATE

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

DIVIDENDS

47. Dividends upon the capital stock of the Corporation, subject to the provisions of the Certificate of Incorporation, if any, may be declared by the Board of Directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the

provisions of the Certificate of Incorporation.

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

DIRECTORS ANNUAL STATEMENT

49. The Board of Directors shall present at each annual meeting and when called for by vote of the stockholders at any special meeting of the stockholders, a full and clear statement of the business and condition of the Corporation.

CHECKS

50. All checks or demands for money and notes of the Corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

FISCAL YEAR

51. The fiscal year shall begin the first day of January in each year.

SEAL

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

AMENDMENTS

53. These By-Laws may be altered or repealed at any regular meeting of the stockholders or at any special meeting of the stockholders at which a quorum is present or represented, provided notice of the proposed alteration or repeal be contained in the notice of such special meeting, by the affirmative vote of a majority of the stock entitled to vote at such meeting and present or represented thereat, or by the affirmative vote of a majority of the Board of Directors at any regular meeting of the Board or at any special meeting of the Board if notice of the proposed alteration or repeal be contained in the notice of such special meeting; provided, however, that in case of any change of such time or place, notice thereof shall be given to each stockholder in person or by letter mailed to his last known post office address at least twenty days before the meeting is held.

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

EXHIBIT J - (3)

TO

FORM 10-K, ANNUAL REPORT FOR 1977

OF

DYNALECTRON CORPORATION

File No. 1-3879-2

DYNALECTRON CORPORATION

AMENDMENTS TO THE

REVOLVER-TERM LOAN AGREEMENT

DATED JULY 1, 1977 AND MARCH 6, 1978

DYNALECTRON CORPORATION

FIRST AMENDMENT

TO

REVOLVER-TERM LOAN AGREEMENT

THIS FIRST AMENDMENT to Revolver-Term Loan Agreement is dated as of July 1, 1977, and is entered into among DYNALECTRON CORPORATION, a Delaware corporation (herein called "the Company"), the undersigned Banks (each herein called a "Bank" or collectively called "the Banks") and REPUBLIC NATIONAL BANK OF DALLAS, as agent for the Banks hereunder (in such capacity herein called "the Agent").

BACKGROUND

A. Company and Banks (other than Crocker National Bank) entered into that certain Revolver-Term Loan Agreement, dated as of December 31, 1976 (hereinafter called the "Loan Agreement"), pursuant to which the Banks which were parties thereto agreed to make Loans to Company from time to time not to exceed an aggregate of $4,500,000.00 at any one time outstanding, subject to and upon the terms, covenants and conditions contained therein.

B. All terms defined in the Loan Agreement shall have the same meaning herein.

C. The parties to the Loan Agreement wish to amend the Loan Agreement to add Crocker National Bank as a "Bank", to provide for total Commitments of $5,500,000.00, and to make certain other changes therein.

NOW, THEREFORE, in consideration of the covenants, conditions and agreements hereinafter set forth, and for other good and valuable consideration, the receipt and adequacy of which are all hereby acknowledged, the parties hereto agree as follows:

1. The dollar amount in the title of the Loan Agreement and in the Background provisions of the Loan Agreement is hereby amended to be $5,500,000.00.

2. Section 1.2 of the Loan Agreement is hereby amended in its entirety to read as follows:

> 1.2 "Commitment" shall mean, as to a Bank, the aggregate obligation of such Bank to make Loans under Sections 2.1 and 2.2 of this Agreement until December 31, 1979 (as the same may be reduced or terminated pursuant to Section 2.1(c) of this Agreement), which at no time shall exceed such Bank's Specified Percentage of $5,500,000.00. "Commitments" shall mean the aggregate obligations of the Banks to make such Loans.

3. Section 2.1(c) of the Loan Agreement is hereby amended in its entirety to read as follows:

> (c) Partial Termination by Company. The Company shall have the right at any time or from time to time upon not less than ten (10) days' prior notice to the Agent (if telephonic, to be confirmed by telex or in writing), which shall notify the Banks, to terminate the Commitments of the Banks, in whole or in part, provided that each partial termination shall be in an aggregate amount which is an integral multiple of $55,000.00, and shall reduce the Commitments of the Banks proportionately.

4. Section 2.1(f) of the Loan Agreement is hereby amended in its entirety to read as follows:

> (f) Manner of Borrowing. The Company shall give each Bank, at its office specified below, at least one (1) Business Day's prior notice (if telephonic, to be confirmed by telex or in writing), specifying the amount and date of each borrowing pursuant to this Section 2.1, each borrowing (and repayment) to be in the aggregate amount of $55,000.00, or in integral multiples thereof. On the date specified, each Bank shall deposit in the general deposit account of the Company with it the amount of the Loan in question.

DYNCORP 00612

5. Subsection (iv) of Section 2.2(d) of the Loan Agreement is hereby amended to read as follows:

(iv) each prepayment shall be in an aggregate amount which is an integral multiple of $55,000.00.

6. The following sentence is hereby added to Section 5.1(c) of the Loan Agreement:

Notwithstanding anything herein to the contrary, until December 31, 1977, Indebtedness of Liberia Refining Company owing to the Company not exceeding $3 million shall be included in Consolidated Net Tangible Assets to the extent of the principal amount owed, without deduction by reason of its being in arrears by more than 180 days.

7. Section 5.7 of the Loan Agreement is hereby amended in its entirety to read as follows:

5.7 Credit Agreements. The Company shall not fail to have available for any period of time short-term revolving credits in committed principal amounts aggregating not less than $11 million, $9,500,000.00 of which shall be pursuant to a credit agreement or credit agreements in form and substance similar to Exhibit "D"; provided that, if all or any part of said short-term revolving credits are not available because a Bank fails to exercise its renewal option pursuant to Section 2.1(f) of the Credit Agreement, other than by reason of the existence of an Event of Default or Default, the Company shall have thirty (30) days from the date of said termination to find a substitute for said Bank. For purposes of this Section 5.7 the term "short-term revolving credit" shall mean a short-term credit from a bank, pursuant to a written, contractual commitment to lend to the Company, subject only to normal covenants of a definitive and non-arbitrary nature.

8. The Specified Percentages of the Banks are hereby amended to read as follows:

BANK	SPECIFIED PERCENTAGE
Republic National Bank of Dallas	18-2/11%
First National Bank of Boston	18-2/11%
United Virginia Bank/National	18-2/11%
The Bank of New York	18-2/11%
Crocker National Bank	18-2/11%
Houston National Bank	9-1/11%

DYNCORP 00613

9. Until otherwise designated by it in written notice to all of the parties hereto, the address of Crocker National Bank for purposes of Section 8.1 of the Loan Agreement shall be One Montgomery Street, San Francisco, California 94104, Attention: Walter H. Vennemeyer, Vice President.

10. Exhibit "A" to Exhibit "C" to the Loan Agreement ("Lenders and Agreements") is hereby amended in its entirety to be in the form of Exhibit "A" attached hereto.

11. Exhibit "D" to the Loan Agreement (the "Credit Agreement") is hereby amended pursuant to the First Amendment to Credit Agreement, attached hereto as Exhibit "B".

12. Exhibit "E" to the Loan Agreement ("Acquisition Criteria") is hereby amended to be in the form of Exhibit "C" attached hereto.

13. Crocker National Bank is hereby added as a "Bank" to the Loan Agreement, reference to which is hereby made as if incorporated herein for all purposes, as amended hereby. Crocker National Bank by its execution hereof agrees to become a party to the Loan Agreement as provided herein, and is entitled to the benefits of and subject to the obligations of a "Bank" pursuant thereto.

14. Except as herein expressly amended, the Loan Agreement is and shall be unchanged, and all of the terms, covenants, provisions and conditions of the Loan Agreement are incorporated herein by reference.

15. This First Amendment shall not be effective, and no further Revolving Credit Loans shall be made pursuant to the Loan Agreement until the Agent shall have received the following:

(a) A Revolving Credit Note for Crocker National Bank, dated as of July 1, 1977, appropriately executed, with all blanks appropriately filled.

(b) Guaranties from all Restricted Subsidiaries, reflecting the amendments herein, appropriately executed, together with certified copies of records of all corporate proceedings in connection therewith, in form and substance satisfactory to the Agent and Special Counsel to the Banks.

(c) An executed copy of the First Amendment to Credit Agreement in the form of Exhibit "B" together with all closing documents in connection therewith.

DYNCORP 00614

(d) An Officer's Certificate stating that no Event of Default or Default exists under the Loan Agreement.

(e) Originals of all documents which The Equitable Life Assurance Company of the United States may require as conditions to its consent to the transactions contemplated hereby.

(f) From the Vice President and General Counsel of the Company, a favorable opinion satisfactory in form and substance to the Agent and Special Counsel to the Banks to the effect that (i) the Loan Agreement, as amended by this First Amendment, has been duly authorized by all necessary action on behalf of the Company, has been duly executed and delivered by the Company, and evidences valid and binding obligations of the Company, enforceable in accordance with its terms; (ii) the Guaranties have been executed by all Restricted Subsidiaries, and that they constitute and will constitute the valid, legal and binding obligations of the Restricted Subsidiaries, in accordance with their respective terms; and (iii) the transactions contemplated hereby do not violate any of the provisions of the Equitable Agreement.

This First Amendment may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, and any of the parties hereto may execute this First Amendment by signing any such counterparts.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first written above.

DYNALECTRON CORPORATION

BY: _____
Its _____

SPECIFIED PERCENTAGE:

18-2/11%

REPUBLIC NATIONAL BANK OF DALLAS
P. O. Box 5961
Dallas, Texas 75222

BY: _____
J. Kendall Whiting
Vice President

DYNCORP 00615

SPECIFIED PERCENTAGE:

18-2/11%

FIRST NATIONAL BANK OF BOSTON
100 Federal Street
Boston, Massachusetts 02110

BY: _____
Its

18-2/11%

UNITED VIRGINIA BANK/NATIONAL
515 King Street
Alexandria, Virginia 22341

BY: _____
Its

18-2/11%

THE BANK OF NEW YORK
48 Wall Street
New York, New York 10015

BY: _____
Its

18-2/11%

CROCKER NATIONAL BANK
One Montgomery Street
San Francisco, California 94104

BY: _____
Its

9-1/11%

HOUSTON NATIONAL BANK
1010 Milam Street
Houston, Texas 77001

BY: _____
Its

DYNCORP 00616

EXHIBIT "A"

LENDERS AND AGREEMENTS

The following are the "Lenders" and the "Agreements" referred to in the Guaranty to which this Exhibit "A" is attached.

1. The First National Bank of Fort Worth ("Fort Worth"), pursuant to Loan Agreement between Fort Worth and Debtor dated September 14, 1976, providing for a one million dollar term loan to Debtor.

2. Republic National Bank of Dallas, First National Bank of Boston, United Virginia Bank/National, The Bank of New York, Crocker National Bank and Houston National Bank ("the Banks"), pursuant to Revolver-Term Loan Agreement dated as of December 31, 1976, as the same may be amended from time to time, among Debtor, the Banks and Republic National Bank of Dallas as agent for the Banks, providing for a five million five hundred thousand dollar revolver-term credit facility.

3. Republic National Bank of Dallas, First National Bank of Boston, United Virginia Bank/National, The Bank of New York, Crocker National Bank and Houston National Bank ("the Banks"), pursuant to Credit Agreement dated as of December 31, 1976, as the same may be amended from time to time, among the Debtor, the Banks and Republic National Bank of Dallas as agent for the Banks, providing for a nine million five hundred thousand dollar short-term renewable line of credit.

EXHIBIT "B"

DYNALECTRON CORPORATION

FIRST AMENDMENT

TO

CREDIT AGREEMENT

THIS FIRST AMENDMENT to Credit Agreement is dated as of July 1, 1977, and is entered into among DYNALECTRON CORPORATION, a Delaware corporation (herein called "the Company"), the undersigned Banks (each herein called a "Bank" or collectively called "the Banks") and REPUBLIC NATIONAL BANK OF DALLAS, as agent for the Banks hereunder (in such capacity herein called "the Agent").

BACKGROUND

A. Company and Banks (other than Crocker National Bank) entered into that certain Credit Agreement, dated as of December 31, 1976 (hereinafter called the "Agreement"), pursuant to which the Banks which were parties thereto agreed to make Loans to Company from time to time not to exceed an aggregate of $4,500,000.00 at any one time outstanding, subject to and upon the terms, covenants and conditions contained therein.

B. All terms defined in the Agreement shall have the same meaning herein.

C. The parties to the Agreement wish to amend the Agreement to add Crocker National Bank as a "Bank", to provide for total Commitments of $9,500,000.00, and to make certain other changes therein.

NOW, THEREFORE, in consideration of the covenants, conditions and agreements hereinafter set forth, and for other good and valuable consideration, the receipt and adequacy of which are all hereby acknowleged, the parties hereto agree as follows:

1. The dollar amount in the title of the Agreement and in the Background provisions of the Agreement is hereby amended to be $9,500,000.00.

2. Section 1.2 of the Agreement is hereby amended in its entirety to read as follows:

> 1.2 "Commitment" shall mean, as to a Bank, the aggregate obligation of such Bank to make Loans under Section 2.1 of this Agreement until June 30, 1978 (or such later dates pursuant to any extensions pursuant to Section 2.1(a)) which at no time shall exceed such Bank's Specified Percentage of $9,500,000.00. "Commitments" shall mean the aggregate obligations of the Banks to make such Loans.

3. Section 2.1(e) of the Agreement is hereby amended in its entirety to read as follows:

> (e) Manner of Borrowing. The Company shall give each Bank, at its office specified below, at least one (1) Business Day's prior notice (if telephonic, to be confirmed by telex or in writing), specifying the amount and date of each borrowing pursuant to this Section 2.1, each borrowing (and repayment) to be in the aggregate amount of $95,000.00, or in integral multiples thereof. On the date specified, each Bank shall deposit in the general deposit account of the Company with it the amount of the Loan in question.

4. The dollar amount at the end of Section 2.1(f) of the Agreement is hereby amended to be $9,500,000.00.

5. Section 2.1(g) of the Agreement is hereby amended in its entirety to read as follows:

> (g) Partial Termination by Company. To the extent that it shall not violate any of the provisions of the Revolver-Term Loan Agreement, the Company shall have the right at any time or from time to time upon not less than ten (10) days' prior notice to the Agent (if telephonic, to be confirmed by telex or in writing), which shall notify the Banks, to terminate the Commitments of the Banks, in whole or in part, provided that each partial termination shall be in an aggregate amount which is an integral multiple of $95,000.00, and shall reduce the Commitments of the Banks proportionately.

6. Notwithstanding the provisions of Subsection (i) of the introductory portion of Section 2.1 of the Agreement, Loans may be made pursuant to the Agreement when the outstanding principal amount of Revolving Credit Loans is less than $5,500,000.00 (but more than $4,500,000.00) under the Revolver-Term Loan Agreement until the earlier of June 30, 1978 or such time as (and to the extent) the Company may borrow further pursuant to the Revolver-Term Loan Agreement.

7. The Specified Percentages of the Banks are hereby amended to read as follows:

BANK	SPECIFIED PERCENTAGE
Republic National Bank of Dallas	21.05263%
First National Bank of Boston	21.05263%
United Virginia Bank/National	21.05263%
The Bank of New York	21.05263%
Crocker National Bank	10.52632%
Houston National Bank	5.26316%

8. Until otherwise designated by it in written notice to all of the parties hereto, the address of Crocker National Bank for purposes of Section 8.1 of the Agreement shall be One Montgomery Street, San Francisco, California 94104, Attention: Walter H. Vennemeyer, Vice President.

9. Exhibit "A" to the Agreement is hereby amended in its entirety to be in the form of Exhibit "A" attached hereto.

10. Crocker National Bank is hereby added as a "Bank" to the Agreement, reference to which is hereby made as if incorporated herein for all purposes, as amended hereby. Crocker National Bank by its execution hereof agrees to become a party to the Agreement as provided herein, and is entitled to the benefits of and subject to the obligations of a "Bank" pursuant thereto.

11. Except as herein expressly amended, the Agreement is and shall be unchanged, and all of the terms, covenants, provisions and conditions of the Agreement are incorporated herein by reference.

11. This First Amendment shall not be effective, and no further Loans shall be made pursuant to the Agreement until the Agent shall have received the following:

(a) A Note for each Bank, dated as of July 1, 1977, appropriately executed, with all blanks appropriately filled.

(b) The Company shall have complied with all conditions outlined in paragraph 14 of the First Amendment to Revolver-Term Loan Agreement dated this date.

(c) An Officer's Certificate stating that no Event of Default or Default exists under the Agreement.

This First Amendment may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the parties hereto may execute this First Amendment by signing any such counterparts.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first written above.

DYNALECTRON CORPORATION

BY: _____
Its

SPECIFIED PERCENTAGE:

21.05263%

REPUBLIC NATIONAL BANK OF DALLAS
P. O. Box 5961
Dallas, Texas 75222

BY: _____
J. Kendall Whiting
Vice President

21.05263%

FIRST NATIONAL BANK OF BOSTON
100 Federal Street
Boston, Massachusetts 02110

BY: _____
Its

SPECIFIED PERCENTAGE:

21.05263%

UNITED VIRGINIA BANK/NATIONAL
515 King Street
Alexandria, Virginia 22341

BY: _____
Its

21.05263%

THE BANK OF NEW YORK
48 Wall Street
New York, New York 10015

BY: _____
Its

10.52632%

CROCKER NATIONAL BANK
One Montgomery Street
San Francisco, California 94104

BY: _____
Its

5.26316%

HOUSTON NATIONAL BANK
1010 Milam Street
Houston, Texas 77001

BY: _____
Its

EXHIBIT "A"

TO

EXHIBIT "B"

DYNALECTRON CORPORATION

NOTE

Dallas, Texas July 1, 1977

FOR VALUE RECEIVED, the undersigned, DYNALECTRON CORPORATION, a Delaware corporation ("the Company"), promises to pay to the order of _____ ("Bank") at its banking office in _____ in lawful money of the United States of America, the principal sum of $_____, or such lesser unpaid principal balance from time to time hereunder, as indicated on the reverse side hereof. The unpaid principal sum due upon this Note, unless sooner paid, shall be payable on June 30, 1978.

The unpaid principal sum of this Note from time to time outstanding shall bear interest at an annual percentage rate equal to the Prime Rate of the Agent (as defined in the Agreement, described below) as the same shall exist from day to day, but no higher than the highest lawful rate, until maturity. Interest is payable as it accrues on March 31, June 30, September 30, and December 31, of each year, beginning September 30, 1977, and at maturity. Past due principal and interest shall bear interest as provided in the Agreement, described below.

This Note is issued pursuant to a Credit Agreement among the Company, Bank, and other parties dated December 30, 1976, as amended from time to time, ("Agreement"), to which reference is made for a statement of the rights and obligations of the Bank and the duties of the Company in relation thereto.

If an Event of Default under the Agreement shall occur

unpaid principal of and interest on this Note may be declared due and payable in the manner and with the effect provided thereunder.

The Company waives demand, presentment for payment, notice of dishonor, protest and notice of protest, and diligence in collection or bringing suit, and agrees that the holder hereof may extend the time for payment, accept partial payment or release or exchange security or collateral, without discharging or releasing it.

The Company agrees to pay reasonable attorney's fees and costs of court incurred by the holder in collecting this Note if past due and unpaid at maturity.

DYNALECTRON CORPORATION

BY: _____
Its

BY: _____
Its

(Reverse of Note)

DATE	AMOUNT OF LOAN	AMOUNT OF PRINCIPAL	UNPAID PRINCIPAL BALANCE OF NOTE	RATE OF INTEREST IN EFFECT	AMOUNT OF INTEREST PAID	NAME OF PERSON MAKING NOTATION

EXHIBIT "C"

DYNALECTRON CORPORATION
ACQUISITION CRITERIA

1. Service-Oriented Company, technology and labor intensive and compatible with one of the major Groups, either Government Contracting, Commercial Aviation, Electrical Contracting or Hydrocarbon.

2. Consistent Record of Growth, both in earnings and revenue with particular reference to past three fiscal years (no turn-around or loss-carry-over situations). Minimum return on investment of 15 percent (before application of Corporate G & A expense and pro-formed for income taxes at full statutory rates without benefit of surtax credits).

3. No Long-Term Debt, except that which said acquisition candidate, if standing on its own and covered by the Company's Senior Note Agreement, could incur.

4. Working Capital, sufficient for current volume of business - no short-term debt in excess of an amount which if converted to funded debt could be permissibly included in the test as per Item 3 above with its funded debt.

5. Payment must be in common stock (at either an acceptable market price level or at an acceptable earnings record per common share to be issued), non-redeemable preferred stock, or combinations thereof.

6. Closely Held Company with operating management owners willing to remain in management positiosn for a minimum of three years following acquisition.

7. Excellent Reputation in the area being serviced both in the company name and individual managers who will remain with the operation.

8. Excellent Relations with labor in areas key to the company operation.

9. Potential for continued growth given reasonable financial backing, amrketing and general administrative assistance.

10. Concentrate on operations in the South and West.

MODIFICATION OF PARAGRAPH 6 OF
FIRST AMENDMENT TO REVOLVER-TERM LOAN AGREEMENT

BACKGROUND

The Company has advised the Banks that they are in negotiation, which if successfully concluded, will result in the collection of the Company's receivable due from the Liberia Refining Company in the amount of $2,852,537. These negotiations, however, did not provide a final signed agreement as of December 31, 1977, but are continuing. It is anticipated that arrangements should be concluded by June 30, 1978.

NOW, THEREFORE, in consideration of the covenants, conditions and agreements hereinafter set forth, and for other good and valuable consideration, the receipt and adequacy of which are all hereby acknowledged, the parties hereto agree as follows:

1. The following sentence is hereby deleted from Section 5.1(c) of the Loan Agreement:

> Notwithstanding anything herein to the contrary, until December 31, 1977, Indebtedness of Liberia Refining Company owing to the Company not exceeding $3 million shall be included in Consolidated Net Tangible Assets to the extent of the principal amount owed, without deduction by reason of its being in arrears by more than 180 days.

2. The following sentence is hereby added to 5.1(c) of the Loan Agreement:

> Not withstanding anything herein to the contrary, until June 30, 1978, Indebtedness of Liberia Refining Company owing to the Company not exceeding $3 million shall be included in Consolidated Net Tangible Assets to the extent of the principal amount owed, without deduction by reason of its being in arrears by more than 360 days.

This modification dated as of December 31, 1977.

DYNALECTRON CORPORATION

BY William W. Carmichael

Its Vice President

REPUBLIC NATIONAL BANK OF DALLAS
P. O. Box 5961
Dallas, Texas 75222

BY:_____
J. Kendall Whiting
Vice President

FIRST NATIONAL BANK OF BOSTON
100 Federal Street
Boston, Massachusetts 02110

BY:_____
Its

UNITED VIRGINIA BANK/NATIONAL
515 King Street
Alexandria, Virginia 22341

BY:_____
Its

THE BANK OF NEW YORK
48 Wall Street
New York, New York 10015

BY:_____
Its

CROCKER NATIONAL BANK
One Montgomery Street
San Francisco, California 94104

BY:_____
Its

HOUSTON NATIONAL BANK
1010 Milam Street
Houston, Texas 77001

BY:_____
Its

DYNALECTRON CORPORATION

SECOND AMENDMENT

TO

REVOLVER-TERM LOAN AGREEMENT

THIS SECOND AMENDMENT to Revolver-Term Loan Agreement is dated as of March 6, 1978, and is entered into among DYNALECTRON CORPORATION, a Delaware Corporation (herein called "the Company"), the undersigned Banks (each herein called a "Bank" or collectively called "the Banks") and REPUBLIC NATIONAL BANK OF DALLAS, as agent for Banks hereunder (in such capacity herein called "the Agent").

BACKGROUND

A. Company and Banks entered into that certain Revolver-Term Loan Agreement, dated as of December 31, 1976, as amended by that certain First Amendment to Revolver-Term Loan Agreement dated as of July 1, 1977 (said Loan Agreement as amended by said First Amendment hereinafter called the "Loan Agreement"), pursuant to which the Banks agreed to make Loans to Company from time to time not to exceed an aggregate of $5,500,000.00 at any one time outstanding, subject to and upon the terms, covenants and conditions contained therein.

B. All terms defined in the Loan Agreement shall have the same meaning herein.

C. The parties to the Loan Agreement wish to amend the Loan Agreement as further provided herein.

NOW, THEREFORE, in consideration of the covenants, conditions and agreements hereinafter set forth, and for other good and valuable consideration, the receipt and adequacy of which are all hereby acknowledged, the parties hereto agree as follows:

1. Section 5.3 of the Loan Agreement is hereby amended in its entirety to read as follows:

> 5.3 Dividends. The Company shall not directly or indirectly pay any dividends on any shares of any class of its stock (other than dividends payable solely in shares of any class of its stock) and shall not, and shall not permit any Subsidiary to, make any payment on account of the purchase, redemption or other retirement of any shares of any class of the Company's stock or warrants or options therefor, or make any other distributions

in respect thereof, whether in cash or in property or in obligations of the Company; provided that, in any fiscal year the Company may pay dividends in an amount not to exceed 25% of the previous fiscal year's net income reflected on the Company's certified consolidated statement of income referred to in Section 4.1(b), non-cumulative. Nothing in this Section 5.3 shall prohibit the Company from performing its obligations pursuant to any of its Class "B" Redeemable Stock issued as of December 31, 1976.

2. The last sentence of Section 3.2 of the Loan Agreement is hereby deleted in its entirety.

3. Except as herein expressly amended, the Loan Agreement is and shall be unchanged, and all the terms, covenants, provisions and conditions of the Loan Agreement are incorporated herein by reference.

4. This Second Amendment shall not be effective until the Agent shall have received the following:

(a) An Officer's Certificate stating that no Event of Default or Default exists under the Loan Agreement.

(b) From the Vice President and General Counsel of the Company, a favorable opinion satisfactory in form and substance to the Agent and Special Counsel to the Banks to the effect that (i) the Loan Agreement, as amended by this Second Amendment, has been duly authorized by all necessary action on behalf of the Company, has been duly executed and delivered by the Company, and evidences valid and binding obligations of the Company enforceable in accordance with its terms; and (ii) the transactions contemplated hereby do not violate any provisions of the Equitable Agreement.

This Second Amendment may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, and any of the parties hereto may execute this Second Amendment by signing any such counterparts.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first written above.

DYNALECTRON CORPORATION

By: _____

Its: Vice President, Finance and Treasurer

REPUBLIC NATIONAL BANK OF DALLAS

By: _____
Its: _____

FIRST NATICNAL BANK OF BOSTON

By: _____
Its: _____

UNITED VIRGINIA BANK/NATIONAL

By: _____
Its: _____

THE BANK OF NEW YORK

By: _____
Its: _____

CROCKER NATIONAL BANK

By: _____
Its: _____

HOUSTON NATIONAL BANK

By: _____
Its: _____

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

EXHIBIT J - (4)

TO

FORM 10-K, ANNUAL REPORT FOR 1977

OF

DYNALECTRON CORPORATION

File No. 1-3879-2

DYNALECTRON CORPORATION

AMENDMENT TO 8-1/2% SENIOR LOAN

AGREEMENT DATED OCTOBER 26, 1977

DYNALECTRON CORPORATION
THIRD SUPPLEMENTAL AGREEMENT
Amending
Loan Agreement dated as of December 26, 1973

THIRD SUPPLEMENTAL AGREEMENT dated as of October 26, 1977, between DYNALECTRON CORPORATION, a Delaware corporation (hereinafter called the "Company"), and THE EQUITABLE LIFE ASSURANCE SOCIETY OF THE UNITED STATES, a New York corporation (hereinafter called "Equitable").

WHEREAS, Equitable is the holder of 8 1/2% Senior Promissory Notes of the Company due 1978-1988 in the outstanding aggregate principal amount of $7,600,000 (hereinafter called the "Notes") issued by the Company to Equitable pursuant to a certain Loan Agreement dated as of December 26, 1973 between the Company and Equitable (hereinafter called the "Loan Agreement");

WHEREAS, the Loan Agreeme as previously been amended by a First Supplemental Agreement dated as of March 1, 1976 between the Company and Equitable; and

WHEREAS, the Loan Agreement was further amended by a Second Supplemental Agreement dated as of September 1, 1976 between the Company and Equitable; and

WHEREAS, the Company and Equitable deem it appropriate that the Loan Agreement be further amended as hereinafter set forth;

NOW, THEREFORE, THIS THIRD SUPPLEMENTAL AGREEMENT

WITNESSETH:

That in consideration of the premises, the Company and Equitable as the owner of the Notes agree as follows:

1. Effective as of October 26, 1977, the Loan Agreement shall be amended by the addition to §9.5A thereof of the following:

"(16) a guaranty or guaranties in favor of American Foreign Insurance Association (AFIA) 1700 Valley Road, Wayne, New Jersey 07470, a surety underwriter, or directly to Kawasaki Heavy Industries, Ltd., in an aggregate amount not in excess of $7,187,500 representing the full amount of certain Return of Monies and Performance Bonds in the amounts of $5,750,000 and $1,437,500, respectively, issued in favor of Kawasaki Heavy Industries, Ltd. (KHI), World Trade Building, Tokyo, Japan, said bonds or guaranties to be issued in the name of Mid East Technical Services Ltd. (METS) as principal as required by a sub-contract between KHI and METS dated August 28, 1977. Said guaranty or guaranties

shall permit AFIA and/or KHI to recover from the Company any and all amounts not paid by said METS, as principal under the aforementioned bonds in accordance with obligations undertaken by said METS for the benefit of AFIA and/or KHI up to the limits specified."

2. Except as previously amended by the First Supplemental Agreement dated as of March 1, 1976, the Second Supplemental Agreement dated as of September 1, 1976, and as further hereby amended, the terms, provisions and conditions of the Loan Agreement and the Notes are in all respects ratified and confirmed and the terms, provisions and conditions thereof shall be and remain in full force and effect.

3. This Third Supplemental Agreement shall be governed by the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Third Supplemental Agreement to be duly executed.

DYNALECTRON CORPORATION

By _____
Vice President

THE EQUITABLE LIFE ASSURANCE SOCIETY OF THE UNITED STATES

By _____
Vice President

END

APPLICATION FOR CERTIFICATE OF AUTHORITY

OF

LAND-AIR, INC.

Filed in the Office of the Secretary of State of Texas
This 20 Oct 1960
Pat Cain
Deputy Director, Corporation Division

To the Secretary of State
of the State of Texas:

Pursuant to the provisions of Article 8.05 of the Texas Business Corporation Act, the undersigned Corporation hereby applies for a Certificate of Authority to transact business in your State, and for that purpose submits the following statement:

1. The name of the corporation is LAND-AIR, INC.

2. The name which it elects to use in your State is LAND-AIR, INC.

3. It is incorporated under the laws of Illinois

4. The date of its incorporation is January 31, 1946 and the period of its duration is perpetual.

5. The address of its principal office in the state or country under the laws of which it is incorporated is

7444 Wilson Avenue, Chicago 31, Illinois

6. The address of its proposed registered office in your State is Republic National Bank Building c/o C T Corporation System, Dallas 1, Texas and the name of its proposed registered agent in your State at that address is

C T Corporation System

7. The purpose or purposes which it proposes to pursue in the transaction of business in your State are:

To maintain and operate missile tracking and data collection stations under contract with the U.S. Government.

8. The names and respective addresses of its directors and officers are:

NAME	OFFICE	ADDRESS
	RIDER	

9. The aggregate number of shares which it has authority to issue, itemized by classes, par value of shares, shares without par value, and series, if any, within a class, is:

NUMBER OF SHARES	CLASS	SERIES	PAR VALUE PER SHARE OR STATEMENT THAT SHARES ARE WITHOUT PAR VALUE
1,000	A	-	No Par Value
10,000	Common	-	No Par Value

10. The aggregate number of its issued shares, itemized by classes, par value of shares, shares without par value, and series, if any, within a class, is:

NUMBER OF SHARES	CLASS	SERIES	PAR VALUE PER SHARE OR STATEMENT THAT SHARES ARE WITHOUT PAR VALUE
1,000	A	-	No Par Value
10,000	Common	-	No Par Value

11. The amount of its stated capital is $ 110,000.00

12. Consideration of the value of at least One Thousand Dollars ($1,000.00) has been paid for the issuance of its shares.

13. This Application is accompanied by a copy of its articles of incorporation and all amendments thereto, duly authenticated by the proper officer of the state or country under the laws of which it is incorporated.

Dated October 5, 1960, 1960

LAND-AIR, INC.

By Martin T. Dyke

Its President

and

Its Secretary

STATE OF ILLINOIS }
COUNTY OF COOK }

I, Helen J. Regan, a notary public, do hereby certify that on this 5th day of October, 19 60, personally appeared before me Martin T. Dyke, who being by me first duly sworn, declared that he is the President of LAND-AIR, INC., that he signed the foregoing document as President of the corporation and that the statements therein contained are true.

Helen J. Regan
Notary Public

(Notarial Seal)

DYNCORP 00638

RIDER

OFFICERS

Jorge Carnicero	Chairman of the Board	3949 - 52nd Street, N. W. Washington, D. C.
Martin T. Dyke	President	850 Lake Shore Drive Chicago, Illinois
M. F. Richards	Executive Vice President	5502 Newington Washington, D. C.
J. Forrest Bigelow	Executive Vice President & Assistant to the President	6710 N. Central Park Lincolnwood, Illinois
A. M. Breit	Vice President & Assistant to the President	1108 Grant Evanston, Illinois
M. Fried	Vice President	2730 Wakefield Arlington, Virginia
W. O. Kott	Vice President	2134 W. El Segundo Blvd. Gardena, California
J. T. Shelton	Vice President	1840 Milton Drive Cheyenne, Wyoming
E. A. Stege	Vice President	1400 Michigan Avenue Alamogordo, N. M.
J. P. Schelling	Secretary	410 Talcott Place Park Ridge, Illinois
R. E. Lovell	Assistant Secretary	1007 Cedar, Box 408 Alamogordo, N. M.
Provina V. Nin	Assistant Secretary	5826 Oregon Avenue N. W. Washington, D. C.
G. E. Noone	Assistant Secretary	3046 N. Kostner Avenue Chicago, Illinois
R. M. Rueth	Assistant Secretary	4 Leon Lane Prospect Heights, Illinois
(Vacant)	Treasurer	
B. L. Graubart	Assistant Treasurer	1510 H Street N. W. Washington, D. C.

DYNCORP 00639

RIDER

DIRECTORS

Jorge Carnicero	Director	3949 - 52nd Street, N. W. Washington, D. C.
Martin T. Dyke	Director	850 Lake Shore Drive Chicago, Illinois
Wm. W. Brinckerhoff	Director	1813 - 24th Street, N. W. Washington, D. C.
M. F. Richards	Director	5502 Newington Washington, D. C.
J. P. Schelling	Director	410 Talcott Place Park Ridge, Illinois

ANTI-TRUST AFFIDAVIT

STATE OF ILLINOIS

COUNTY OF COOK

Before me, the undersigned authority, on this day personally appeared

Martin T. Dyke who being by me duly sworn, deposes and says:

That the LAND-AIR, INC. is not a trust or organization in restraint of trade, in violation of the laws of Texas; that it has not, within twelve months next preceding the date of this affidavit, entered into any combination, contract, obligation or agreement to create nor which may tend to create or to carry out any restriction in trade or commerce or aids to commerce, nor to fix, maintain, increase or reduce the price of any merchandise, produce or commodity, or any article of commerce; nor to prevent or lessen competition in the manufacture, making, transportation, sale or purchase of any merchandise, produce or commodity, or any article of commerce, or in the preparation thereof for market; nor to fix or maintain any standard or figure whereby the price of same is or has been in any manner affected, controlled or established. That it has not, during said time, entered into, executed or carried out any contract, obligation or agreement with any person, corporation or association of persons not to sell or dispose of any commodity or articles of commerce below a common standard or figure, or to keep the price thereof at a fixed or graded figures, or to preclude a fair and unrestricted competition in the sale of any commodity or articles of commerce, or to regulate, fix or limit the output thereof, or to abstain from engaging in or continuing business or from the purchase or sale of any commodity or article of commerce partially or entirely within the State of Texas or any portion thereof.

Affiant further says that the above named corporation has not within twelve months next preceding the date of this affidavit, either directly or through the instrumentality of trustees or otherwise, acquired the shares or certificates of stocks or bonds, franchises or other rights or the physical properties or any part thereof of any other corporation or corporations for the purpose of preventing or lessening or which tends to affect or lessen competition. That it has not within said time entered into any agreements or understanding to refuse to buy from or sell to any other person, corporation, firm or association of persons any commodities or articles of commerce, nor entered into any agreement to boycott or threaten to refuse to buy from or sell to any person, firm or corporation or association of persons for the buying from or selling to any other person, firm, corporation or association of persons.

Affiant further says that no officer of the above named corporation has, within his knowledge, during the said twelve months, made on behalf of it or for its benefits, any such contract or agreement as is specified in this affidavit.

Martin T. Dyke

Sworn to and subscribed before me, this the 5th day of October A. D., 19 60.

Helen J. Pyke

(SEAL) Notary Public in and for Cook County

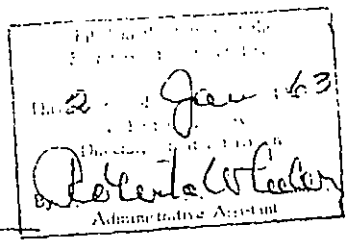
NOTE—The above affidavit must be subscribed and sworn to by the president or vice-president or secretary or treasurer or two of the directors of the corporation applying for permit.

3001-754-4M

DYNCORP 00641

APPLICATION FOR
CERTIFICATE OF WITHDRAWAL
OF

LAND-AIR, INC.



To the Secretary of State
of the State of Texas

Pursuant to the provisions of Article 8.14 of the Texas Business Corporation Act, the undersigned corporation hereby applies for a Certificate of withdrawal from the State of Texas, and for that purpose submits the following statement:

1. The name of the Corporation is LAND-AIR, INC.

2. It is incorporated under the laws of Illinois

3. It is not transacting business in the State of Texas.

4. It hereby surrenders its authority to transact business in said state.

5. It revokes the authority of its registered agent in the State of Texas to accept service of process and consents that service of process in any action, suit or proceeding based upon any cause of action arising in the State of Texas during the time it was authorized to transact business therein may thereafter be made on it by service thereof on the Secretary of State of State of Texas.

6. The post office address to which the Secretary of State may mail a copy of any process against the corporation that may be served on him is 1510 H Street, N. W., Washington, D. C.

7. All sums due or accrued by this corporation to the State of Texas have been paid.

8. All known creditors or claimants have been paid or provided for and the corporation is not involved in or threatened with litigation in any court in the State of Texas.

LAND-AIR, INC.

By _____

Its _____ President

and _____

Its _____ Secretary

STATE OF DISTRICT OF
COUNTY OF COLUMBIA

I, Jennie G. Aronstein, a notary public, do hereby certify that on this 27th day of December, 1962, personally appeared before me C. G. Gulledge, who being by me first duly sworn, declared that he is the President of LAND-AIR, INC. that he signed the foregoing document as President of the corporation, and that the statements therein contained are true.

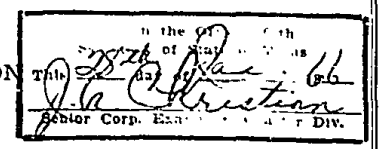
_____
Notary Public

DYNCORP 00642

ARTICLES OF INCORPORATION

OF

LAND-AIR MACHINE & ENGINEERING CO., INC.



We, the undersigned natural persons of the age of twenty-one years or more, at least two of whom are citizens of the State of Texas, acting as incorporators of a corporation under the Texas Business Corporation Act, do hereby adopt the following Articles of Incorporation for such corporation:

ARTICLE ONE

The name of the corporation is "LAND-AIR MACHINE & ENGINEERING CO., INC.".

ARTICLE TWO

The period of its duration is perpetual.

ARTICLE THREE

The purposes for which the Corporation is formed and organized are as follows:

To manufacture, buy, sell, deal in and to engage in conduct and carry on the business of manufacturing, buying and selling and dealing in goods, wares and merchandise of every class and description;

To carry on a general civil engineering business in all of its branches; to carry on a general mechanical engineering business in all of its branches; and to carry on the business of tool makers, brass founders, metal workers, boiler makers, millwrights, machinists, iron and steel converters, smiths, builders, metallurgists, and electrical, civil and water supply engineers.

ARTICLE FOUR

The Aggregate number of shares which the corporation shall have authority to issue is TWO HUNDRED FIFTY THOUSAND (250,000) of the par value of ONE AND NO/100 ($1.00) DOLLARS each.

ARTICLE FIVE

The corporation will not commence business until it has received for the issuance of its shares consideration of the value of at least ONE THOUSAND AND NO/100 ($1,000.00) DOLLARS, consisting of money, labor done or property actually received.

DYNCORP 00643

ARTICLE SIX

The Post Office address of its initial registered office is 114 N. E. 15th St., Grand Prairie, Dallas County, Texas, and the name of its initial registered agent at such address if Pat Rutherford.

ARTICLE SEVEN

The number of directors constituting the initial Board of Directors is three (3) and the names and addresses of the persons who are to serve as directors until the first annual meeting of the shareholders or until their successors are elected and qualified are:

PAT RUTHERFORD	706 Finland	Grand Prairie, Texas
B. W. HARDER	1809 S. Santa Rosa	Grand Prairie, Texas
J. L. WOMBLE	1922 E. Pacific	Grand Prairie, Texas

ARTICLE EIGHT

The names and addresses of the incorporators are:

PAT RUTHERFORD	706 Finland	Grand Prairie, Texas
B. W. HARDER	1809 S. Santa Rosa	Grand Prairie, Texas
J. L. WOMBLE	1922 E. Pacific	Grand Prairie, Texas

IN WITNESS WHEREOF, we have hereunto set our hands this 19th day of January, A. D., 1966.

Pat Rutherford

B. W. Harder

J. L. Womble

DYNCORP 00644

THE STATE OF TEXAS)
)
COUNTY OF DALLAS)

I, the undersigned authority, a Notary Public, do hereby certify that on the 19th day of January, A. D., 1966, personally appeared before me PAT RUTHERFORD, B. W. HARDER, and J. L. WOMBLE, who each being by me first duly sworn severally declared that they are the persons who signed the foregoing document as incorporators, and that the statements therein contained are true.

Notary Public, Dallas County, Texas

My commission expires June 1, 1967.

DYNCORP 00645

TO THE SECRETARY OF STATE

OF THE STATE OF TEXAS:

Pursuant to the provisions of the Texas Business Corporation Act, the undersigned corporation, organized under the laws of the State of Texas, submits the following statement for the purpose of changing its registered office (and) (or) its registered agent in the State of Texas:

1. The name of the corporation is Land-Air Machine & Engineering Co., Inc.

2. The post office address of its present registered office is 114 N.E. 15 treet, Dallas, Texas

3. The post office address to which its registered office is to be changed is 3600 E. Randol Mill Road, Arlington, Texas 76011

4. The name of its present registered agent is Pat Rutherford

5. The name of its successor registered agent is Theodore C. Huke

6. The post office address of its registered office and the post office address of the business office of its registered agent, as changed, will be identical.

7. Such change was authorized by resolution duly adopted by its board of directors.

Dated December 2, 1971

Land-Air Machine & Engineering Co.

By R E Jennings
Its President

And Theodore C Huke
Its Secretary

STATE OF TEXAS)
)
COUNTY OF TARRANT)

I, Vera M. Perry, a notary public, do hereby certify that on this 2nd day of December, 1971, personally appeared before me R.E. Jennings & Theodore C. Huke, who being by me first duly sworn, declared that they are the President & Secretary of LAND-AIR MACHINE & ENGINEERING CO., that they signed the foregoing document as President & Secretary of the corporation and that the statements therein contained are true.

Vera M Perry
Notary Public in and for Tarrant County, Texas.

FILED
In the Office of the
Secretary of State of Tex

SEP 16 1974

Janice B. Chote
Deputy Director, Corporation Divisi

ARTICLES OF AMENDMENT TO THE ARTICLES OF INCORPORATION
OF LAND-AIR MACHINE ~~AND~~ + ENGINEERING CO~~MPANY~~, INC.

Pursuant to the provisions of Article 4.04 of the Texas Business Corporation Act, the undersigned corporation adopts the following Articles of Amendment to its Articles of Incorporation which authorized the change of name of Land Air Machine and Engineering Company, Inc.

ARTICLE ONE

The name of the corporation is LAND-AIR MACHINE ~~AND~~ + ENGINEERING CO., INC.

ARTICLE TWO

The following amendment to the Articles of Incorporation was adopted by the shareholders of the corporation on 2 August, 1974.

That Article One of such Articles be amended so as hereafter to read as follows:

"The name of the corporation is LAND AIR, INC."

ARTICLE THREE

The number of shares of the Corporation outstanding at the time of such adoption was 34750 and the number of shares entitled to vote thereon was 34750.

ARTICLE FOUR

The number of shares voted for such amendment was 34750 and the number of shares voted against such amendment was -0-.

LAND-AIR MACHINE & ENGINEERING CO., INC.

R E Jennings
Its President

Cathryn McGarity
Its Secretary

STATE OF TEXAS §
§
COUNTY OF DALLAS §

I, Vicki Dean, a Notary Public, do hereby certify that on this 19th day of August, 1974, personally appeared before me R E Jennings and Carley McGarity, who declared they are officers of the corporation executing the foregoing document, and being first duly sworn, acknowledged that they signed

the foregoing documents in the capacity therein set forth and declared that the statements therein contained are true.

Notary Public in and for Dallas County, Texas

DYNCORP 00648

FILED
In the Office of the
Secretary of State of Texas
NOV 25 1981
Corporation Division

STATEMENT OF RESIGNATION OF REGISTERED AGENT

The name of the corporation to which the resignation notice is to be sent is Land Air, Inc. c/o Dallas International Bank.

The undersigned hereby resigns as registered agent of the above named corporation.

Written notice of resignation was given to the above named corporation on November 11, 1981 (date), by mailing or delivering such notice to the corporation at its last known address, which is:

1336 Commerce

Dallas, Texas

ATTN: Mr. Payne, V. President

Resigning Registered Agent

File triplicate originals of this notice with the Secretary of State within ten days after mailing or delivery of written notice to the corporation.

RECEIVED
SECRETARY OF STATE
NOV 16 1981
CLERK E
AUSTIN, TEXAS

OFFICE OF THE SECRETARY OF STATE

APRIL 8, 1982

David A. Dean
Secretary of State

Corporations Division
P.O. Box 13697
Austin, Texas 78711-3697

LAND AIR, INC.
PAYNE V. PRES.
1336 COMMERCE
DALLAS, TEXAS

RE: LAND AIR, INC.
CHARTER NO. 221006-0

Dear Sir or Madam:

Under certified letter you were notified that the above referenced corporation has neglected to:

_____ continuously maintain a registered agent and/or registered office as required by law,

XXXXXX appoint a new registered agent following the resignation of its former registered agent.

This omission has not been corrected.

The 90-day period during which this delinquency may have been corrected has expired, and the corporation has been involuntarily dissolved by order of the Secretary of State. Enclosed is a copy of that Certificate of Involuntary Dissolution.

Any corporation involuntarily dissolved for failure to continously maintain a registered agent and/or registered office may be reinstated at any time within a period of twelve (12) months from the date of such dissolution, by filing a Statement of Change of Registered Office or Registered Agent and an Application for Reinstatement with this Office. Enclosed please find the forms to do so. The filing fee for a Statement of Change of Registered Agent or Registered Office is $10. The filing fee for an Application for Reinstatement is $50.

Sincerely yours,

Jimmy H. Delao

Jimmy H. Delao
Attorney
Corporations Division

JHD:cep
Enclosure

The State of Texas

SECRETARY OF STATE

INVOLUNTARY DISSOLUTION

Came on to be considered this day by the Secretary of State of Texas, involuntary dissolution of: LAND AIR, INC.

CHARTER NO. 221006-0

The Secretary of State hereby determines and finds the following:

1. That the corporation is required to have and continuously maintain a registered agent in this State.
2. That the corporation has failed to maintain a registered agent at the registered office address.
3. That the corporation has been given not less than 90 days notice of its neglect, delinquency or omission by certified mail.
4. That the corporation has failed prior to such involuntary dissolution to correct the neglect, omission or delinquency.

IT IS THEREFOKE ORDERED that the above named corporation be involuntarily dissolved without judicial ascertainment and made null and void.

WITNESS MY HAND AND OFFICIAL SEAL, this the 7TH day of APRIL 1982.

Harold A. Dean

Secretary of State

OFFICE OF THE SECRETARY OF STATE

November 25, 1981

David A. Dean
Secretary of State

Corporations Division
P.O. Box 13697
Austin, Texas 78711-3697

Land Air, Inc. - Mr. Payne V. Pres.
1336 Commerce
Dallas, Tx

RE: LAND AIR, INC.
CHARTER NO.: 221006-0

The registered agent of the above named corporation has resigned. The resignation is effective 30 days from the date of filing. Enclosed please find a copy of the filed resignation.

In order to appoint a new registered agent, please complete and return both copies of the enclosed form. The filing fee is $10.00 for a profit corporation and $5.00 for a non-profit corporation.

If a new registered agent is not appointed within 120 days from the date of this letter, the corporation will be involuntarily dissolved.

Sincerely yours,

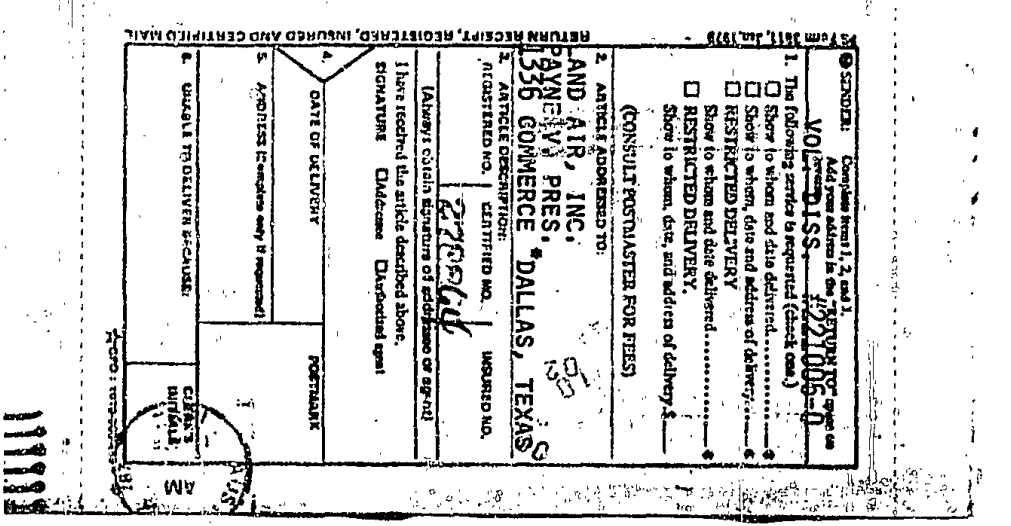
Lorna Salzman

Lorna Salzman
Director
Corporations Division

LS:jk
CERTIFIED
Enclosures

none

DYNCORP 00652



SECRETARY OF STATE
CORPORATIONS DIVISION
AUSTIN, TEXAS 78711-3697

No # 4/12/82

LAND AIR, INC.
PAYNE V. PRES.
1336 COMMERCE
DALLAS, TEXAS

213

LAN 36 131382N1 04/13/82
RETURN TO SENDER
NOT DELIVERABLE AS ADDRESSED
UNABLE TO FORWARD

NO.

RETURN RECEIPT REQUESTED

DYNCORP 00653

SECRETARY OF STATE
AUSTIN, TEXAS 78711

RETURNED TO SENDER
ATTEMPTED - NOT KNOWN
FROM 75250

NOT 203 213 unknown 12/11/81 213 CH

David A. Dean
Secretary of State

Land Air, Inc. - Mr. Payne V. Pres.
1336 Commerce
Dallas, Tx

CERTIFIED MAIL

NO. 278914

RETURN RECEIPT REQUESTED

PS Form 3811, Jan. 1978 RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

Rsgn 221006-0

1. The following service is requested (check one.)
☐ Show to whom and date delivered.....¢
☐ Show to whom, date and address of delivery.....¢
☐ RESTRICTED DELIVERY
Show to whom and date delivered.....¢
☐ RESTRICTED DELIVERY.
Show to whom, date, and address of delivery $____

(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
Land Air, Inc.
Mr. Payne - V. Pres
1336 Commerce
Dallas Texas

3. ARTICLE DESCRIPTION: REGISTERED NO. CERTIFIED NO. 6041 INSURED NO.

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE ☐Addressee ☐Authorized agent

4. DATE OF DELIVERY POSTMARK

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: ATTEMPTED - NOT KNOWN FROM 75250 CLERK'S INITIALS

☆GPO: 1978 288-843

DYNCORP 00654

100—WARRANTY DEED THIRD STANDARD FORM

The State of Texas, County of DALLAS

70255...$1.50

Know All Men by These Presents:

That WE, J. H. BOLIN and wife, RUTH BOLIN,

of the County of Dallas, State of Texas, for and in consideration of the sum of

TEN AND NO/100 - - - - - - - - - DOLLARS

Cash & other good and valuable considerations,

to us in hand paid by

BIRL H. COUGHRAN and wife, GLADYS COUGHRAN,

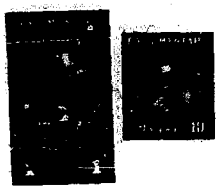
receipt of which is hereby acknowledged, and fully confessed, ~~as follows:~~

have Granted, Sold and Conveyed, and by these presents do Grant, Sell and Convey, unto the said

BIRL H. COUGHRAN and wife, GLADYS COUGHRAN,

of the County of Dallas, State of Texas, all that certain lot, tract or parcel of land, situated in the County of Dallas, State of Texas, to-wit: Situated in Burbank Gardens, a part of the Joseph Graham, D. F. Pearson and James McLaughlin Surveys, in Dallas County, Texas, as shown by Plat thereof of record in Volume 5, pages 109, 110, and 236 of the Map Records of Dallas County, Texas, and a part of the land described in Volume 1387, page 315 of the Dallas County Deed Records, State of Texas, particularly described as follows, to-wit:

Being all of Lot No. One Hundred (100).



TO HAVE AND TO HOLD the above described premises, together with all and singular the rights and appurtenances thereto in anywise belonging unto the said

BIRL H. COUGHRAN and wife, GLADYS COUGHRAN, their

heirs and assigns forever and we do hereby bind ourselves, our heirs, executors and administrators, to Warrant and Forever Defend, all and singular the said premises unto the said

BIRL H. COUGHRAN and wife, GLADYS COUGHRAN, their

heirs and assigns, against every person whomsoever lawfully claiming, or to claim the same, or any part thereof.

WITNESS our hands at Dallas, Texas,

this 3rd day of May 1951.

Witnesses at Request of Grantor:

J H Bolin
J. H. Bolin

Ruth Bolin
Ruth Bolin

JOINT ACKNOWLEDGMENT

THE STATE OF TEXAS,
COUNTY OF DALLAS

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared J. H. BOLIN and RUTH BOLIN, his wife, both known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they each executed the same for the purposes and consideration therein expressed, and the said RUTH BOLIN wife of the said J. H. BOLIN having been examined by me privily and apart from her husband, and having the same fully explained to her, she, the said RUTH BOLIN acknowledged such instrument to be her act and deed, and she declared that she had willingly signed the same for the purposes and consideration therein expressed, and that she did not wish to retract it.

[illegible] May A.D. 1951

Notary Public in and for Dallas County, Texas.

Filed for Record on the 7 day of May 3 23 [illegible] M.

Duly Recorded this the 23 day of May [illegible] M.

Instrument No. 70255

By Birdie Meyer

3498 | 426

Duly Recorded this the ____ day of

Instrument No. 147221

ED. H. STEGER, County Clerk
Dallas County, Texas
By Bindie Mulligan Deputy

147222...$2.25

The State of Texas,
County of Dallas

Know All Men by These Presents:

That we, Minnie Bowles, a Feme sole, of Dallas County, Texas; Essie B. Cole, a widow, of Dallas County, Texas; Ottie B. Trible, a widow, of Harris County, Texas; and Victor B. Yeargan and H. F. Yeargan of the City of Rome Georgia; being the heirs and only heirs of V. S. Bowles, and Elizabeth Bowles, both deceased, acting herein through Minnie Bowles, their Agent and Attorney-in-Fact; for and in consideration of the sum of One Ten and No/100 ($ 10.00) DOLLARS to us in hand paid by H. M. S. Dixon

the receipt of which is hereby acknowledged, have granted, sold and conveyed, and by these presents do grant, sell and convey unto the said H. M. S. Dixon of the County of Dallas, State of Texas, all that certain parcel of land situated in Burbank Gardens, a part of the Joseph Graham, D. F. Pearson and James McLaughlin surveys in Dallas County, Texas as shown by Plat thereof of record in Vol. 5, pages 109, 110 and 236 of the Map Records of Dallas County, Texas, and a part of the land described in Volume 1387, Page 315 of the Dallas County Deed Records, State of Texas, particularly described as follows, to-wit:

This conveyance and subsequent conveyances of all lots in the Unit of which this is a part shall be made subject to the following covenants, reservations, and restrictions, to-wit:

& And being all of lot No. (102) One Hundred Two, in Burbank Gardens Addition Unit No. 1

RESTRICTIONS:

All restrictions herein contained are made covenants running with the land and shall be binding on the buyer and seller, their heirs and assigns for a period of twenty-one years from January 1st, 1936; and the same may be enforced by the sellers or any owner of any lots by appropriate legal action or proceeding.

Provided however, that three-fourths or more of the owners of the lots in Units 1 and 2 of this addition, each lot being considered as one owner and entitled to one vote, by instrument properly acknowledged and filed for record in this County, may modify or change such building restrictions.

This contract and subsequent conveyances shall be made subject to the following restrictions, to-wit:

LOT RESTRICTIONS:

All lots are restricted for residence purposes only; except those fronting on the Fort Worth-Dallas Pike in units 1 and 2 in this addition and the first lot adjoining said lots in rear are designated as business lots excepting and reserving therefrom an easement and right of way in and over a strip of land 4 feet wide off the entire rear end of said lots that front on the Fort Worth-Dallas Pike, and 10 feet off the rear end of all other lots, said easement to be used for Public Utilities viz: Gas, Electricity and Telephones. Also over a strip of land 6 feet wide off the entire front end of Lots 277 to 320 inclusive, for an existing gas main. Also an easement of 10 feet wide for the existing pipe line crossing between the front lot line and a distance of 40 feet back from the front lot line of lots 268 to 276 inclusive, and subject to any and all other easements for gas lines, electric line, and water mains now existing or reasonably necessary in the future.

BUSINESS LOT RESTRICTIONS:

A corner lot shall be deemed to front on the street on which it has the smallest frontage.

All buildings of any kind and all business equipment of any kind located on the lots fronting the Fort Worth-Dallas Pike must be kept back not less than thirty (30) feet from the Highway property line.

Special restrictions for all business lots must be obtained from grantors.

The lot herein conveyed is a business lot and subject to the restrictions herein contained as , such.

RESIDENCE BUILDING RESTRICTIONS:

All buildings must be kept back thirty (30) feet from the front line of all residence lots and twelve feet from the side lot line of corner lots.

All buildings on Lots 268 to 276 inclusive, must be kept back 45 feet from the front lot line of said lots. Free and open space of not less than six (6) feet in width shall be left on both sides of every dwelling and shall extend entire depth of lot.

No residence, containing less than 600 square feet of ground space, shall be erected within seventy (70) feet of the front lot line. Porches, steps, bay windows and other windows may encroach on the front lot line restricted area not exceeding ten feet.

On all lots north of 1st Street, residences may be erected containing not less than 240 sq. ft. of ground space but must be kept back 70 feet from front lot line.

All residences must be constructed with either hip or gable roof. All frame dwellings must be constructed with siding or shingle outside walls and the roofs must be shingled with either wood or composition shingles.

No second hand building materials shall be used for the exterior construction of any dwelling, and no tar paper or rolled roofing of any kind shall be used.

No second hand houses shall be moved on said lots without the written consent of parties of the first part, and no second hand building material shall be used for the exterior construction of any dwelling.

DEED VOL 3730

9-18/1952

3730/400

DYNCORP 00656

All buildings must be painted with two coats of paint within sixty (60) days after completion of construction or occupancy.
Log houses will be permitted, but building plans must be approved by Grantors.
No tents, house cars, flat or shed roof buildings will be permitted.

GARAGES:

All garages must be in the rear of dwelling and kept back at least two (2) feet from the side lot line. However, a garage may be constructed as a part of residence. No second hand building material shall be used for the exterior construction of garages without consent of the grantors.
No billboards shall be erected or maintained on any residence lot.

OUTSIDE TOILETS:

All outside toilets must be constructed to meet the approval of the Sanitary Board of Dallas County.

[illegible]:

[illegible]

RESERVATIONS:

All lots are sold subject to the easements for public utilities as shown on the recorded plat of said Burbank Gardens, and the right of ingress and egress for the use of same.

Lots 37, 37A, 63 and 140 are sold subject to all rights pertaining to an easement for an existing oil pipe line crossing said lots.

The right is reserved to erect and maintain a line of poles and wires on and along lateral lot lines, when necessary, to extend circuits into streets and adjoining blocks and lots. Electric wires may overhang any lot in said division when necessary to make service connections.

The Grantee also agrees to pay all regular taxes levied against said lot subsequent to the date hereof.

The purchaser or purchasers of the above described land, their heirs, assigns and legal representatives, by the acceptance of this deed agree and shall be bound by each and all of the aforesaid covenants and conditions which shall run with the land; and upon the breach thereof or any part thereof during their effective period, the title to said land shall immediately and ipso facto revert to and vest in the grantors herein, their heirs and assigns, who shall be entitled to immediate possession of said land; but such reversion shall not affect or impair any mortgage or other lien which may in good faith be placed upon said land or any improvements thereon.

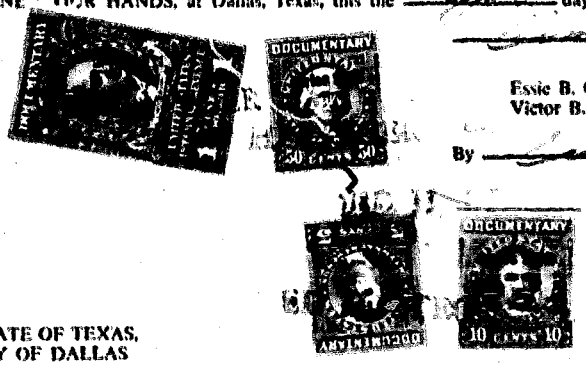
TO HAVE AND TO HOLD the above described premises, together with all and singular, the rights and appurtenances thereto in anywise belonging unto the said H. M. S. Dixon his heirs and assigns forever. And Vendors do hereby bind themselves, their heirs, executors, and administrators to WARRANT AND FOREVER DEFEND, all and singular the said premises unto the said H. M. S. Dixon heirs and assigns, against every person whomsoever, lawfully claiming, or to claim the same or any part thereof.

WITNESS OUR HANDS, at Dallas, Texas, this the 26th day of August A. D. 1952

Individually

Essie B. Cole, a Widow, Ottie B. Trible, a Widow, Victor B. Yeargan and H. F. Yeargan.

By
Their Agent and Attorney-in-Fact.



THE STATE OF TEXAS,
COUNTY OF DALLAS

Before me, the undersigned, a Notary Public, in and for said County of Dallas, State of Texas, on this day personally appeared Minnie Bowles, a Feme Sole, individually and as Agent and Attorney-in-Fact for Essie B. Cole a Widow, Ottie B. Trible, a Widow, and Victor B. Yeargan and H. F. Yeargan, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that she executed the same for the purposes and consideration therein expressed and the capacity therein stated.

Given under my hand and seal of Office this 26th day of August A. D. 1952

Notary Public in and for the County of Dallas, State of Texas.
Paul K. Purcell

Filed for Record on the 18 day of Sept A. D. 19 52 at 2 o'clock P M.

Duly Recorded this the 30 day of Sept A. D. 19 52 at o'clock M.

Instrument No. 147211

ED. H. STEGER, County Clerk
Dallas County, Texas

By Birdie Meyers Deputy

DYNCORP 00657

WARRANTY DEED--WITH VENDOR'S LIEN

The State of Texas } 11677 $1.00
County of Dallas } Know All Men by These Presents:

That I, E. M. S.

of the County of Dallas State of Texas for and in consideration of the sum of

NINETY & NO/100 DOLLARS

and other good and valuable consideration to me, paid, [illegible] by C. C. Hamlee and Walton Cummings, Trustees of the Grand Prairie Company of Jehovah's Witnesses, Grand Prairie, Texas as follows:

[redacted]

have Granted, Sold and Conveyed, and by these presents do Grant, Sell and Convey, unto the said C. C. Hamlee and Walton Cummings, Trustees of the Grand Prairie Company of Jehovah's Witnesses of the County of Dallas State of Texas all that certain Tract or parcel of land; being all of Lot 102 in Burbank Gardens Addition Unit No. I, according to the Map thereof recorded in Volume 5, Page 109 Map Records of Dallas County, Texas

TO HAVE AND TO HOLD the above described premises, together with all and singular the rights and appurtenances thereto in any wise belonging unto the said C. C. Hamlee and Walton Cummings, Trustees of the Grand Prairie Company of Jehovah's Witnesses of Grand Prairie, Texas, Grantee

heirs and assigns forever, and I do hereby bind myself, my

heirs, executors and administrators, to WARRANT AND FOREVER DEFEND, all and singular the said premises unto the said C. C. Hamlee and Walton Cummings, Trustees of the Grand Prairie Company of Jehovah's Witnesses, Grantee

[illegible]

85/1663

1-28/1953

DYNCORP 00658

THE STATE OF TEXAS,
County of Dallas

BEFORE ME, the undersigned authority, a Notary Public in and for Dallas County, Texas, on this day personally appeared E. M. S. Dixon known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, This 8th day of December A. D. 19 52.

JOHN M. THOMPSON
NOTARY,
Notary Public in and for Dallas County, Texas.

(L. S.)

ACKNOWLEDGMENT

THE STATE OF TEXAS,
COUNTY OF _____

BEFORE ME, the undersigned, a Notary Public, _____, in and for said County, Texas, on this day personally appeared _____ known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the said _____, a corporation, and that he executed the same as the act of such corporation for the purposes and consideration herein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, This _____ day of _____, A. D. 19____

_____

_____

(L. S.)

STATE OF TEXAS
COUNTY OF DALLAS

BEFORE ME, the undersigned authority, on this day personally appeared E. M. S. Dixon who being by me duly sworn on oath deposes and says that he is the grantee of the deed herein, and that the property herein conveyed constitutes no part of affiant's homestead; that affiant was married to Hedye E. Dixon at the time he purchased this property by Deed filed for record on September 18, 1952 Deed Records of Dallas County, Texas; that affiant remains married to the said Hedye E. Dixon to this day.

E. M. S. Dixon

SWORN TO and subscribed before me this the 24th day of January, A.D., 1953.

JOHN M. THOMPSON
Notary Public in and for Dallas County, Texas

Filed for Record on the ___ day of ___ A D 19 ___ at ___ o'clock M

Duly Recorded this the ___ day of ___ A. D. 19 ___ at ___ o'clock M.

Instrument No. ___

ED H STEGER, County Clerk
Dallas County, Texas

By ___ Deputy

DYNCORP 00659

Resolution

6458...v2.50

THE STATE OF TEXAS

KNOW ALL MEN BY THESE PRESENTS:

COUNTY OF DALLAS

At a congregational meeting of the entire membership of GRAND PRAIRIE COMPANY OF JEHOVAH WITNESSES, to which due and proper notice was given to said congregation setting the time and place of such meeting and setting out the purposes of such meeting and after discussion of same, the following resolution was proposed, discussed and unanimously adopted by the said congregation:

R E S O L U T I O N

"WHEREAS, GRAND PRAIRIE COMPANY OF JEHOVAH WITNESSES, is the present owners of a tract of land described as follows, to-wit:

BEING Lot 102, BURBANK GARDENS, UNIT NO. ONE, an addition to the City of Grand Prairie, Dallas County, Texas, and

WHEREAS, the said tract of land is owned by the said Church subject to an incumbrance against same, in the balance of approximately $3,971.13 due, and owing to the Grand Prairie Savings and Loan Association of Grand Prairie, Texas, and

WHEREAS, the premises above described are insufficient for the Church to carry on its proper functions and duties and said Church is interested, desirous and willing to build and construct a new Church building at another location, and

WHEREAS, Central Development Company and J. W. Kincaid, Sr., are the owners of a tract of land described as follows, to-wit:

BEING Lots 13 and 14 in Block 155, DALWORTH, TEXAS, an addition to the town of Grand Prairie, Dallas County, Texas, according to the map thereof, duly recorded in the Map Records of Dallas County, Texas; and

WHEREAS, the said second mentioned parties are willing to trade the last hereinabove described property to the said Church to enable the Church to build its improved Church thereon; and

WHEREAS, Frank Gilbert, Arthur Testi and Marion Parker, are the duly elected, acting and qualified Trustees of said Church; and

WHEREAS, the said GRAND PRAIRIE COMPANY OF JEHOVAH WITNESSES deems it necessary and advantageous to proper church functions to make the trade aforesaid

4-17/1957

4689/247

DYNCORP 00660

and to construct improvements on the property to be taken in trade for their equity in the tract of land first hereinabove mentioned with the agreement that Purchasers thereof will accept the property subject to the unpaid balance due the Grand Prairie Savings and Loan Association of Grand Prairie, Texas, as aforesaid:

NOW THEREFORE, BE IT RESOLVED that Frank Gilbert, Arthur Tosti and Marion Parker, all Trustees of the Grand Prairie Company of Jehovah Witnesses, be and they are hereby authorized, empowered and directed to execute a Deed and whatever other papers are necessary conveying the tract of land known and described as Lot 102, Burbank Gardens, Unit No. 1, an addition to the City of Grand Prairie, Dallas County, Texas to Central Development Company and J. W. Kincaid, Sr., such Deed setting out that the conveyance is made subject to the balance due the Grand Prairie Savings and Loan Association, Grand Prairie, Texas, on its first lien note as aforesaid;

And further that such Trustees are authorized and empowered and directed to accept a Deed from the parties aforesaid to Lots 13 and 14 in Block 155, of Dalworth, Texas, as aforesaid;

And further that said Trustees are authorized, empowered and directed to execute in the name of and on behalf of the said Church a ~~Note and~~ Deed of Trust and a note to Edgar J. Garrett in the sum of $12,000.00, with interest at six (6%) percent, due on or before one hundred and twenty days (120) from date, for purposes of obtaining financing for the construction according to the plans and specifications presented by the said Edgar J. Garrett, for a Church building on the tract of land last hereinabove mentioned;

And the said Trustees are further directed and empowered and authorized to consummate and close a loan upon such terms and conditions and with interest to be payable as may be agreed upon by the said Trustees and the Grand Prairie Savings and Loan Association of Grand Prairie, Texas, for a permanent loan after thesaid improvements have been constructed by the said Edgar J. Garrett, on the tract of land last hereinabove described;

And the said trustees are authorized, empowered and directed to execute all other instruments necessary and proper of every kind and character in connection therewith;

DYNCORP 00661

BE IT FURTHER RESOLVED that the said Trustees are the duly elected and qualified successors and they are hereby authorized to do and perform any and all other acts and things in the premises that they may deem necessary and proper in order to carry out the purposes of the foregoing resolution."

Tommy W. Coley
Clerk, of the Grand Prairie Company of
Jehovah Witnesses.

SWORN AND SUBSCRIBED TO BEFORE ME this the 9th day of April, A. D. 1957.

Lucille L McCall
NOTARY PUBLIC, DALLAS COUNTY, TEXAS

NOTARY PUBLIC COUNTY OF DALLAS, TEXAS

THE STATE OF TEXAS
COUNTY OF DALLAS

BEFORE ME, the undersigned authority, a Notary Public, in and for said County and State, on this day personally appeared Tommy W. Coley, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and considerations therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 9th day of April, A. D. 1957.

Lucille L McCall
Notary Public in and for Dallas County, Texas.

NOTARY PUBLIC COUNTY OF DALLAS, TEXAS

Filed for Record on the 17 day of [illegible] A. D. 19[illegible], at [illegible] o'clock [illegible] M.
Duly Recorded this the 19 day of [illegible] A. D. 19[illegible], at [illegible] o'clock [illegible] M.
Instrument No. 00-58
ED. H. STEGER County Clerk
Dallas County, Texas
By [illegible] Deputy

DYNCORP 00662

WARRANTY DEED — WITH VENDOR'S LIEN

60593...$1.50

The State of Texas, . | *Know All Men by These Presents:*
County of DALLAS |

That FRANK GILBERT, ARTHUR TOSTI and MARVIN PARKER, QUALIFIED AND ACTING TRUSTEES OF THE GRAND PRAIRIE COMPANY OF JEHOVAH WITNESSES

of the County of DALLAS State of TEXAS for and in consideration of the sum of

TEN AND NO/100 ----------($10.00) ---------- DOLLARS and other valuable considerations

to them paid and secured to be paid by CENTRAL DEVELOPMENT COMPANY and J.W. KINCAID, SR., the receipt of which is hereby acknowledged and confessed; and as follows:

THE FURTHER CONSIDERATION OF THE ASSUMPTION AND AGREEMENT BY THE GRANTEE herein to pay off and discharge as the same shall become due and payable the unpaid principal balance amounting to $3,971.13 as of this date, due and owing on that one certain promissory note dated January 22, 1953, in the original principal sum of $6,000.00 executed by Grantors herein, payable to the order of GRAND PRAIRIE SAVINGS AND LOAN ASSOCIATION, GRAND PRAIRIE, TEXAS, in monthly installments of $66.62 each, as therein provided, with interest at the rate as therein specified, which note is secured by Deed of Trust of even date therewith to ERNEST AVERY, Trustee.

have Granted, Sold and Conveyed, and by these presents do Grant, Sell and Convey, unto the said CENTRAL DEVELOPMENT COMPANY and J. W. KINCAID, Sr.
of the County of Dallas State of Texas all that certain property, situated in Dallas County, Texas and being more particularly described as follows, to-wit:

BEING Lot 102 in Burbank Gardens, Unit #1, an addition to Dallas County, Texas, according to the map thereof duly recorded in the Map Records of Dallas County, Texas.

4689/266

4-17/1957

DYNCORP 00663

Grantees assume all taxes for the current year.

TO HAVE AND TO HOLD the above described premises, together with all and singular the rights and appurtenances thereto in any wise belonging unto the said

CENTRAL DEVELOPMENT COMPANY and J. W. KINCAID, SR. their

heirs and assigns forever; and we do hereby bind ourselves, our, successors, heirs, executors and administrators, to WARRANT AND FOREVER DEFEND, all and singular the said premises unto the said

CENTRAL DEVELOPMENT COMPANY, and J. W. KINCAID, SR., their

heirs and assigns, against every person whomsoever lawfully claiming, or to claim the same or any part thereof.

But it is expressly agreed and stipulated that the Vendor's Lien is retained against the above described property, premises and improvements, until the above described note , and all interest thereon, are fully paid according to its face and tenor, effect and reading, when this deed shall become absolute.

EXECUTED at Grand Prairie, Texas this 9th day of April A. D. 19 57

Marion Parker
9 (Marion Parker)

TRUSTEES OF GRAND PRAIRIE COMPANY OF JEHOVAH WITNESSES.

(Frank Gilbert) Frank Gilbert

(Arthur Tosti) Arthur Tosti.

THE STATE OF TEXAS,
County of DALLAS

BEFORE ME, the undersigned authority, on this day personally appeared FRANK GILBERT, ARTHUR TOSTI and MARION PARKER, Trustees of Grand Prairie Company of Jehovah Witnesses known to me to be the person s whose name are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, This 9th day of April A. D. 19 57 .

(L. S.) Lucille J. McCall
Notary Public Dallas County, Texas

Filed for Record on the 17 day of Apr A. D. 1957, at 4:27 o'clock P M.
Duly Recorded this the 19 day of Apr A. D. 1957, at [illegible] o'clock M.
Instrument No. 60593

ED. H. STEGER, County Clerk
Dallas County, Texas

By [illegible] Deputy

WARRANTY DEED

65269...$1.00

The State of Texas, } Know All Men by These Presents:
County of DALLAS }

That WE, DORIS BERKELEY DIEFENBAUGH VAN WINKLE, joined by her husband pro forma M. C. VAN WINKLE,

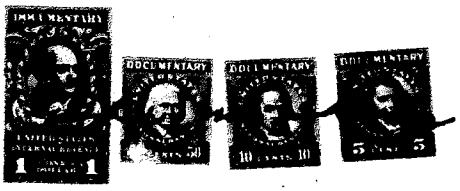
of the County of ALAMEDA State of CALIFORNIA for and in consideration of the sum of

TEN AND NO/100 ----------($10.00)---------- DOLLARS and other good and valuable considerations to them in hand paid by J. W. KINCAID, SR. and CENTRAL DEVELOPMENT COMPANY,

The receipt of which is hereby acknowledged.

have Granted, Sold and Conveyed, and by these presents do Grant, Sell and Convey, unto the said J. W. KINCAID, SR. and CENTRAL DEVELOPMENT COMPANY of the County of DALLAS State of TEXAS all that certain lot, tract, or parcel of land, lying and being situated in the County of Dallas, and State of Texas, to wit:

BEING Lot 101 of BURBANK GARDENS, UNIT NO. 1, an addition in Dallas County, Texas, according to the Map thereof recorded in Volume 5, page 109, of the Map Records of Dallas County, Texas.



TO HAVE AND TO HOLD the above described premises, together with all and singular the rights and appurtenances thereto in any wise belonging unto the said J. W. KINCAID, SR. and CENTRAL DEVELOPMENT COMPANY heirs and assigns forever; and WE do hereby bind OURSELVES, OUR heirs, executors and administrators, to WARRANT AND FOREVER DEFEND, all and singular the said premises unto the said J. W. KINCAID, SR. and CENTRAL DEVELOPMENT COMPANY heirs and assigns, against every person whomsoever lawfully claiming, or to claim the same or any part thereof.

WITNESS our hand s at Oakland, California this 15th day of April, A. D. 19 57

Doris Berkeley Diefenbaugh Van Winkle
(Doris Berkeley Diefenbaugh Van Winkle)

M. C. Van Winkle
(M. C. Van Winkle)

4693/560

4-25/1957

DYNCORP 00665

THE STATE OF ~~TEXAS~~, California

JOINT ACKNOWLEDGMENT

County of ALAMEDA

BEFORE ME, the undersigned authority, a Notary Public in and for ALAMEDA County, ~~TEXAS~~ California, on this day personally appeared M. C. Van Winkle known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

Also before me on this day personally appeared DORIS BERKELEY DIEFENBAUGH VAN WINKLE wife of M. C. VAN WINKLE known to me to be the person whose name is subscribed to the foregoing instrument, and, having been examined by me privily and apart from her husband, and having the same fully explained to her, she, the said DORIS BERKELEY DIEFENBAUGH VAN WINKLE acknowledged such instrument to be her act and deed, and declared that she had willingly signed the same for the purposes and consideration therein expressed, and that she did not wish to retract it.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, This day of April A. D. 19 57

(L. S.) Notary Public Alameda County, Texas Calif.

CORPORATION ACKNOWLEDGMENT

Filed for Record on the day of A. D. 19 at o'clock M.
Duly Recorded this the day of A. D. 19 at o'clock M.
Instrument No.

ED. H. STEGER, County Clerk
Dallas County, Texas

By Deputy

Form 33-10-56

THE STATE OF TEXAS

County of DALLAS

65270...$1.25

KNOW ALL MEN BY THESE PRESENTS:

That Jimmy Joe Thomas

and wife, Martha Thomas

of Dallas County, Texas, hereinafter called "Grantor," whether one or more, in consideration of the advantages which will accrue to Grantor from the construction of the electric distribution line hereinafter described, hereby grants to TEXAS POWER & LIGHT COMPANY, of Dallas, Texas, an easement and right of way for an electric distribution line, and all necessary or desirable appurtenances, and for a telephone line and appurtenances, upon, over and across Grantor's land in the George Marshall Survey, Abstract No. [illegible], Dallas County, Texas.

The center line of said distribution line shall be located across said land as follows:

Beginning [illegible] line, same being the south right-of-way line of [illegible], said [illegible] located [illegible] feet, more or less, east of a northwest [illegible];

Thence in a southerly direction for a distance of [illegible] feet, more or less, to a Texas Power & Light Company distribution pole with guy attached, said guy to continue in the same southerly direction for an additional distance of 30 feet, more or less, to a Texas Power & Light Company guy anchor.

This description is based on a preliminary survey, and it is understood that said Company may relocate said line in the same general direction before or at any time after construction.

Said Company shall have the right to erect 1 poles, 0 stubs, and 1 guy anchorages along the course of said line, together with the right of ingress and egress for the purpose of constructing, improving, inspecting, maintaining, operating and removing said line and appurtenances; the right to relocate said line in the same relative position to any adjacent road if and when said road is widened in the future, and the right at all times to cut away and keep clear of said line and appurtenances all trees and other obstructions which, in the sole judgment of said Company, may endanger or interfere with the proper maintenance and operation of said line.

TO HAVE AND TO HOLD the above described easement and rights unto the said Company, its successors and asigns, until said line shall be abandoned.

EXECUTED this 21st day of February, A. D. 19 57.

Witnessed by:

Jimmy Joe Thomas

Martha Thomas

WARRANTY DEED — WITH VENDOR'S LIEN

131274...$1.50

THE STATE OF TEXAS, } *Know All Men By These Presents:*
County of DALLAS }

That J. W. KINCAID, SR., and JOHN M. THORNE; not joined by our wives as the property herein conveyed constitutes no part of our homesteads;

of the County of Dallas State of Texas for and in consideration of the sum of

TEN AND NO/100 ($10.00) DOLLARS

and other valuable considerations to them paid and secured to be paid by

RALPH W. SMARTT;

the receipt of which is hereby acknowledged; and

THE FURTHER CONSIDERATION of the assumption and agreement by the Grantee herein to pay off and discharge as the same shall become due and payable the unpaid principal balance due and owing on that one certain promissory note dated January 22, 1953, in the original principal sum of $6,000.00 executed by Frank Gilbert, Arthur Tosti and Marion Parker, qualified and acting Trustees of the Grand Prairie Company of Jehovah Witnesses, payable to the order of Grand Prairie Savings and Loan Association, Grand Prairie, Texas, in monthly installments of $66.22 each, as therein provided, with interest at the rate as therein specified, which note is secured by Deed of Trust of even date therewith to Ernest Avery, Trustee.

The lien herein secured affects Lot 102 only and constitutes no lien whatever on Lot 101 herein after described;

No Revenue Stamps Necessary

have Granted, Sold and Conveyed, and by these presents do Grant, Sell and Convey, unto the said

RALPH W. SMARTT;

of the County of Dallas State of Texas all that certain property situated in the County of Dallas, State of Texas, and described as follows, to-wit:

BEING Lot 101 and Lot 102 of Burbank Gardens, Unit No. 1, an addition in Dallas County, Texas, according to the Map thereof recorded in Volume 5, Page 109 of the Map Records of Dallas County, Texas;

6-23/1959 5134/442

DYNCORP 00667

Grantee assumes taxes for the current year;

TO HAVE AND TO HOLD the above described premises, together with all and singular the rights and appurtenances thereto in any wise belonging unto the said

RALPH W. SMARTT; his

heirs and assigns forever; and we do hereby bind ourselves, our heirs, executors and administrators, to WARRANT AND FOREVER DEFEND, all and singular the said premises unto the said

RALPH W. SMARTT; his

heirs and assigns, against every person whomsoever lawfully claiming, or to claim the same or any part thereof.

But it is expressly agreed and stipulated that the Vendor's Lien is retained against the above described property, premises and improvements, until the above described note , and all interest thereon, are fully paid according to its face and tenor, effect and reading, when this deed shall become absolute.

EXECUTED at Grand Prairie, Texas, this 19th day of June A. D. 1959

J. W. Kincaid, Sr.

John M. Thorne

THE STATE OF TEXAS,
County of DALLAS

BEFORE ME, the undersigned authority, on this day personally appeared J. W. Kincaid, Sr., and John M. Thorne known to me to be the persons whose names ~~is~~ are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, This 19th day of June A. D. 1959

(L. S.)

Notary Public Dallas County, Texas

Filed for Record on the day of A. D. 19 , at o'clock M.

Duly Recorded this the day of A. D. 19 , at o'clock M.

Instrument No.

ED. H. STEGER, County Clerk
Dallas County, Texas

By Deputy

DYNCORP 00668

JUL-21-65 156717 DT A 3.50

DEED OF TRUST

DEED OF TRUST

The State of Texas, County of DALLAS } Know All Men by These Presents:

THAT I, RALPH W. SMARTT, not joined by my wife, as the property herein conveyed constitutes no part of my homestead,

of Dallas County, Texas, hereinafter styled parties of the first part, (and considered in the plural sense whether one or more) in consideration of the sum of One Dollar in hand paid to the parties of the first part, by N. D. Black, Jr., Trustee, party of the second part, of Dallas County, Texas, the receipt whereof is hereby acknowledged, and of the further consideration, uses, purposes and trusts herein set forth and declared, have Granted, Bargained, Sold, Aliened, Conveyed and Confirmed, and by these presents do Grant, Bargain, Sell, Alien, Convey and Confirm, unto the said party of the second part, and also to the Substitute Trustee, as hereinafter provided, all of the following described property, lying and situated in the County of Dallas, in the State of Texas, to-wit:

BEING LOT 101 and 102 of BURBANK GARDENS NO. 1, an Addition in Dallas County, Texas, according to the Map thereof recorded in Volume 5, Page 109, Map Records, Dallas County, Texas;

The balance $10,500.00 due and owing on one note dated December 18, 1959,= in the original principal sum of $14,000.00, executed by RALPH W. SMARTT and payable to the order of THE FIRST NATIONAL BANK IN GRAND PRAIRIE, Grand Prairie, Texas, as therein provided, secured by Deed of Trust of even date therewith to L. S. STUFFLEBEME, Trustee; AND the Beneficiary herein is expressly subrogated to all the rights, equities, deeds of trust and any and all other liens of the original holders of said notes so renewed, and the Grantors herein and hereby acknowledge that said notes are unpaid and same are secured by valid existing lien upon the property herein described and all liens securing same are hereby extended to the date of the maturity of the note secured by this Deed of Trust;

together with all improvements thereon, or hereafter to be placed thereon, and all and singular the rights and appurtenances to the same belonging or in anywise incident or appertaining.

TO HAVE AND TO HOLD unto the said party of the second part, and to his successors and his and their assigns forever, hereby covenanting and agreeing to Forever Warrant and Defend the premises aforesaid, and every part thereof, unto the said Trustee and to the Substitute Trustee, and to the assigns of any Trustee hereunder, against all persons whomsoever lawfully claiming or to claim the same or any part thereof for and upon the following trusts, terms and conditions to-wit:

7-20/1965

VOL. 615 PAGE 0343

DYNCORP 00669

That, Whereas, the said parties of the first part are justly indebted to THE FIRST NATIONAL BANK IN GRAND PRAIRIE, Grand Prairie, Texas, party of the third part herein, as evidenced by one certain promissory note executed by the said parties of the first part and payable to the order of the said party of the third part, and being further described as follows, to-wit:

BEING in the principal sum of $10,500.00, bearing interest at the rate of six (6%) per cent per annum, payable in equal monthly installments of $116.59, the first installment due on the 1st day of September, 1965, and a like installment due on the 1st day of each succeeding month thereafter until maturity;

Now, should the said parties of the first part make prompt payment of said indebtedness, and shall pay, or cause to be paid, all other indebtedness secured by this conveyance, both principal and interest, as the same shall become due and payable, and strictly comply with all the conditions and requirements herein provided, then this conveyance shall become null and void and of no further force or effect, and shall be released at the cost and expense of said parties of the first part. But should the said parties of the first part make default in the punctual payment of said indebtedness, or any part thereof, principal or interest, as the same shall become due and payable, or should said parties of the first part in any respect fail to keep and perform any one or more of the conditions herein provided to be kept and performed by said parties of the first part, then, and in any such case, the whole amount of said indebtedness remaining shall, at the option of the holder of said indebtedness, immediately mature and become payable, and it shall thereupon, or at any time thereafter, the same, or any part thereof, remaining unpaid, be the duty of the said party of the second part herein, and of his successor or substitute, as hereinafter provided, on the request of the holder of said indebtedness thereof (which request is hereby presumed) to enforce this Trust; and after advertising the time, place and terms of the sale of all of the above conveyed and described property, or any part thereof (the privilege of selling in whole or in part being hereby granted) for at least twenty-one days successively next before the day of sale, by posting up written or printed notices thereof at three public places in the County in which said real estate is situated, one of which shall be at the Court House Door of such County, to sell the same, in accordance with such advertisement, at public auction, in front of the Court House of the County in which said property is situated, on the first Tuesday in any month between the hours of ten o'clock A.M. and four o'clock P. M. to the highest bidder for cash, selling all property above conveyed as an entirety or in parcels as the Trustee may elect, and make due conveyance to the purchaser or purchasers, with general warranty, binding the said parties of the first part herein and their heirs and assigns; and, out of the money arising from such sale, the Trustee acting shall pay: First, all the expenses of advertising sale and conveyance, including a commission of five per cent to himself, and then to the holder of said indebtedness, the full amount of principal and interest due and unpaid on said indebtedness, as hereinbefore set forth, and all taxes, assessments, insurance premiums or other advancements made, as provided for herein, with interest thereon, rendering the balance of the purchase money, if any, to the said parties of the first part, their heirs or assigns; and said sale shall forever be a perpetual bar against the said parties of the first part, their heirs and assigns, and all other persons claiming under any of them. It is expresly agreed that the recitals in the conveyance to the purchaser shall be full evidence of the truth of the matters herein stated, and all prerequisites to said sale shall be presumed to have been performed. The holder of said indebtedness shall have equal rights to become the purchaser at such sale, being the highest bidder.

In case of absence, death, inability, refusal or failure of the Trustee herein named to act, a successor and substitute may be named, constituted and appointed by the holder of said indebtedness, without other formality than an appointment and designation in writing; and this conveyance shall vest in him, as Trustee, the estate and title in all said premises and he shall thereupon hold, possess and execute all the title, rights, powers and duties herein conferred on said Trustee named, and his conveyance to the purchaser shall be equally valid and effective; and such right to appoint a successor or Substitute Trustee shall exist as often and whenever from any of said causes, any Trustee, original or substitute, cannot or will not act.

It is agreed and stipulated that the parties of the first part herein shall and will at their own proper cost and expense, keep the property and premises herein described, and upon which a lien is hereby given and created, in good repair and condition, and pay and discharge as they are or may become payable, all and every taxes and assessments that are or may become payable thereon under any law, ordinance or regulation, whether made by Federal, State or Municipal authority, and shall keep said property fully insured in some company or companies approved by the holder of said indebtedness, to whom the loss, if any, shall be payable, and by whom the policies shall be kept. And in case of default made by the parties of the first part in performance of any of the foregoing stipulations, the same may be performed by the holder of said indebtedness, for account and at the expense of the parties of the first part, and any and all expense incurred and paid in so doing shall be payable by the parties of the first part to the party of the third part with interest at the rate of ten per cent per annum from the date when the same was so incurred or paid, and shall stand secured and payable by and under this deed in like manner with the other indebtedness herein mentioned, and the amount and nature of such expense and time when paid shall be held fully established by the affidavit of the holder of said indebtedness, or the holder's agent, or by the certificate of any Trustee acting hereunder. Provided, however, that the exercise of the right of advancement shall in nowise be considered or constitute a waiver of the right of the holder of said indebtedness to declare same, and all other indebtedness hereunder to be at once due and payable.

It is further agreed and stipulated that the security herein and hereby provided shall not affect, nor be affected by, any other or further security taken or to be taken for the same indebtedness, or any part thereof; and the said parties of the first part hereby declare that the property hereinbefore mentioned and conveyed to said party of the second part forms no part of any property by them owned, used, occupied or claimed as their homestead or as exempt from forced sale under the laws of the State of Texas, and disclaim and renounce all and every claim thereto under any such law or laws.

Parties of the first part specifically agree that, after any sale under this deed of trust, they or their heirs or assigns, shall be mere tenants at sufferance of the purchaser of said property, or any part thereof, at such Trustee's sale, and that such purchaser shall be entitled to the immediate possession thereof, and upon failure to surrender possession, the purchaser as landlord, shall have the right to go into any Justice of the Peace Court in the precinct and county in which the property is located, and file an action for forcible detainer, which action shall lie against parties of the first part, their heirs or assigns, as tenants of such purchaser. This remedy is cumulative of any and all other remedies the purchaser may have hereunder, or otherwise.

EXECUTED this 15th day of July, A. D. 19 65. VOL. 615 PAGE 0344

DYNCORP 00670

Ralph W. Smartt

Ralph W. Smartt

SINGLE ACKNOWLEDGMENT

THE STATE OF TEXAS, }
COUNTY OF DALLAS }

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared Ralph W. Smartt known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 19 day of July, A. D. 1965.

(L. S.)

Notary Public in and for Dallas County, Texas

WIFE'S SEPARATE ACKNOWLEDGMENT

THE STATE OF TEXAS, }
COUNTY OF }

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared , wife of , known to me to be the person whose name is subscribed to the foregoing instrument, and having been examined by me privily and apart from her husband, and having the same fully explained to her, she, the said acknowledged such instrument to be her act and deed, and she declared that she had willingly signed the same for the purposes and consideration therein expressed, and that she did not wish to retract it.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the day of A. D. 19

(L. S.)

Notary Public in and for County, Texas

JOINT ACKNOWLEDGMENT

THE STATE OF TEXAS, }
COUNTY OF }

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared and , his wife, both known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they each executed the same for the purposes and consideration therein expressed, and the said , wife of the said having been examined by me privily and apart from her husband, and having the same fully explained to her, she, the said acknowledged such instrument to be her act and deed, and she declared that she had willingly signed the same for the purposes and consideration therein expressed, and that she did not wish to retract it.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the day of A. D. 19

(L. S.)

Notary Public in and for County, Texas

THE STATE OF TEXAS, }
COUNTY OF }

I HEREBY CERTIFY that the foregoing instrument of writing with its certificate of authentication, was filed for record in my office on the day of A. D. 19 at o'clock M., and was duly recorded by me on the day of A. D. 19 in Vol. , page , of the Records of said County.

WITNESS MY HAND and the Seal of the County Court of said County, at my office in the day and year last above written.

(L. S.) County Clerk County, Texas

By..... Deputy.

VOL. 615 PAGE 0345

DYNCORP 00671

Deed of Trust

.....

.....

TO

.....Trustee

For Benefit of.....

.....

FILED FOR RECORD

This.....day of.....A. D. 19.....

at.....o'clock.....M.

.....

County Clerk.

By.....

Deputy.

RECORDED

.....A. D. 19.....

In..... County Records

of Deeds of Trust in Book.....on

page.....

.....

County Clerk.

By.....

Deputy.

Return to Fulbright & Thomas

PO Box 899

Grand Prairie

STATE OF TEXAS
COUNTY OF DALLAS

I hereby certify that this instrument was filed on the date and time stamped hereon by me and was duly recorded in the volume and page of the named records of Dallas County, Texas as stamped hereon by me.

JUL 21 1985

COUNTY CLERK, Dallas County, Texas

FILED
JUL 20 11 17 AM '85
COUNTY CLERK
DALLAS COUNTY

VOL. 615 PAGE 0346

DYNCORP 00672

G.F. # 66-T-5817 F.F. $2.00
Rev. Stps. $2.75
WARRANTY DEED (WITH VENDOR'S LIEN)

DEED RECORD

The State of Texas,
County of DALLAS

Know All Men by These Presents:

That RALPH W. SMARTT d/b/a CENTRAL DEVELOPMENT COMPANY,

of the County of Dallas, State of Texas, for and in consideration

of the sum of TEN AND NO/100 ($10.00)----------

----------DOLLARS

and other valuable considerations;
to him paid, and secured to be paid, by LAND-AIR, INC.

the receipt of which is hereby acknowledged; as follows:

THE FURTHER CONSIDERATION of the assumption and agreement b;y the Grantees herein to pay off and discharge as the same shall become due and payable the balance due and owing on that one certain promissory note in the original principal sum of $10,500.00, dated July 15, 1965, executed by Ralph W. Smartt, payable to the order of The First National Bank in Grand Prairie, Grand Prairie, Texas, in monthly installments as therein provided; said note is additionally secured by Deed of Trust of even date therewith to N. D. Black, Jr., Trustee;

THE EXECUTION by Grantees of one certain vendor's lien note of even date herewith in the principal sum of $1,403.08, payable to the order of Ralph W. Smartt and Kenneth D. Smartt d/b/a Ra-Ken Enterprises, it having advanced that sum at the special instance and request of theGrantees as part purchase money for the property herein conveyed, and it shall be and is hereby expressly subrogated to all of the rights, titles, liens and equities securing the payment of said note as though it were the grantor herein, said note being due and payable in monthly installments of $100.00 each, including the interest at the rate of seven (7%) percent per annum, said installments to be applied first to the payment of accrued interest and the balance to principal, the first installment due and payable on or before the 15th day of November, 1966, and one of said installments due and payable on or before the 15th day of each month thereafter until maturity and in addition to the vendor's lien herein retained, said note is further secured by Deed of Trust of even date herewith to John M. Thorne, Trustee; and

IT IS UNDERSTOOD AND AGREED that this note and liens securing same are secondary and subordinate to the first lien note hereinabove described.

have Granted, Sold and Conveyed, and by these presents do Grant, Sell and Convey, unto the said

LAND-AIR, INC.

of the County of Dallas State of Texas, all that certain

lot, tract or parcel of land situated in the County of Dallas, State of Texas, and

described as follows, to-wit:

BEING LOTS 101 and 102 BURBANK GARDENS NO. 1, an Addition to the County of Dallas, Texas, according to the Map thereof recorded in Volume 5, Page 109, Map Records, Dallas County, Texas.

SOUTHWEST LAND TITLE CO.

10-10/1966

925 0550

This conveyance shall include any reserves now held under the terms of the herein-above described note and Deed of Trust for the payment of taxes, insurance and any other assessments, and in the event such is an FHA insured loan, this conveyance of funds now held or any future refunds on Mutual Mortgage Insurance.

Grantees assume taxes for the current year;

This conveyance is subject to the following easement:
Easements: Easement of 5 feet across rear of lots as shown on Plat of the Addition.

TO HAVE AND TO HOLD the above described premises, together with all and singular the rights and appurtenances thereto in anywise belonging unto the said

LAND-AIR, INC., its

successors ~~heirs and assigns~~ forever and I do hereby bind myself, my heirs, executors and administrators, to Warrant and Forever Defend, all and singular the said premises unto the said

LAND-AIR, INC., its

successors ~~heirs and assigns~~, against every person whomsoever lawfully claiming, or to claim the same, or any part thereof.

But it is expressly agreed and stipulated that the Vendor's Lien is retained against the above described property, premises and improvements, until the above described note , and all interest thereon are fully paid according to its face and tenor, effect and reading, when this deed shall become absolute.

EXECUTED this 5th day of October, 1966.

Ralph W. Smartt d/b/a Central Development Company

DYNCORP 00674

SINGLE ACKNOWLEDGMENT

THE STATE OF TEXAS,
COUNTY OF DALLAS

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared Ralph W. Smartt, d/b/a Central Development Company, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 6th day of October, A. D. 1966

(L. S.)

Notary Public in and for Dallas County, Texas

Rosalie W. Johnson
Notary Public, in and for
Dallas County, Texas

WIFE'S SEPARATE ACKNOWLEDGMENT

THE STATE OF TEXAS,
COUNTY OF

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared , wife of , known to me to be the person whose name is subscribed to the foregoing instrument, and having been examined by me privily and apart from her husband, and having the same fully explained to her, she, the said acknowledged such instrument to be her act and deed, and she declared that she had willingly signed the same for the purposes and consideration therein expressed, and that she did not wish to retract it.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the day of A. D. 19

(L. S.)

Notary Public in and for County, Texas

JOINT ACKNOWLEDGMENT

THE STATE OF TEXAS,
COUNTY OF

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared and , his wife, both known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they each executed the same for the purposes and consideration therein expressed, and the said , wife of the said having been examined by me privily and apart from her husband, and having the same fully explained to her, she, the said acknowledged such instrument to be her act and deed, and she declared that she had willingly signed the same for the purposes and consideration therein expressed, and that she did not wish to retract it.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the day of A. D. 19

(L. S.)

Notary Public in and for County, Texas

THE STATE OF TEXAS,
COUNTY OF

I HEREBY CERTIFY that the foregoing instrument of writing with its certificate of authentication, was filed for record in my office on the day of , A. D. 19 at o'clock M., and was duly recorded by me on the day of A. D. 19 in Vol. , page , of the Records of said County.

WITNESS MY HAND and the Seal of the County Court of said County, at my office in the day and year last above written.

(L. S.)

County Clerk County, Texas.

By , Deputy.

VOL. 925 PAGE 552

DYNCORP 00675

Warranty Deed

(WITH VENDOR'S LIEN)

TO

FILED FOR RECORD

This.....day of....., A. D. 19....

at.....o'clock.....M.

.....

County Clerk.

By.....

Deputy.

RECORDED

....., A. D. 19....

In.....County Recor

In Book....., on Page.....

.....

County Clerk.

By.....

Deputy.

Recording Fee $.....

Return to John M. Thorne
P.O. Box 499
Grand Prairie, Texas

Prepared by Law Office of John M. Thorne,
302 West College Street, Grand Prairie, Texas

STATE OF TEXAS
COUNTY OF DALLAS

I hereby certify that this instrument was filed on the date and time stamped hereon by me and was duly recorded in the volume and page of the named records of Dallas County, Texas as stamped hereon by me.

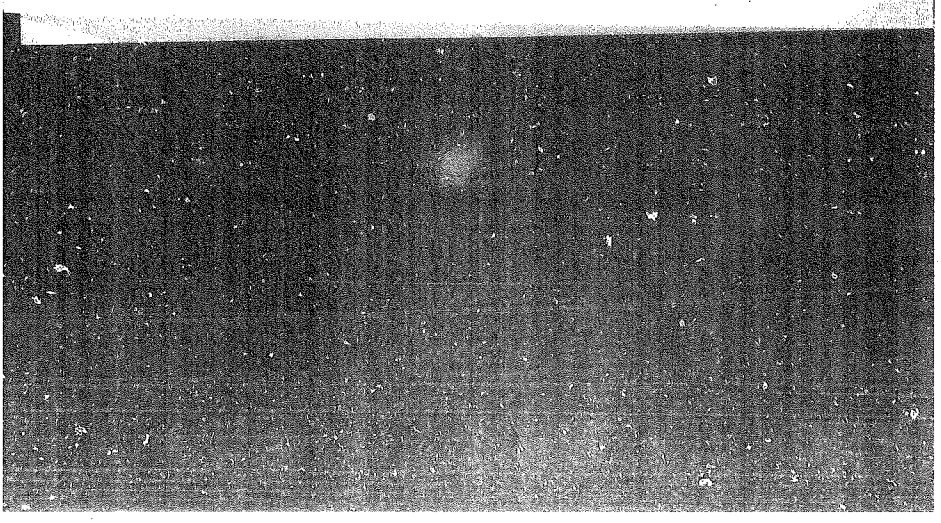
OCT 11 1966

John E. Kelly
COUNTY CLERK, Dallas County, Texas

1966 OCT 10 PM 3 45

FILED
John E. Kelly
COUNTY CLERK
DALLAS, COUNTY

VOL. 9425 PAGE 0553



DEED OF TRUST

THE STATE OF TEXAS, } Know All Men By These Presents:
COUNTY OF DALLAS }

THAT LAND-AIR, INC., a Corporation acting by and through its duly authorized officers

of Dallas County, Texas, hereinafter styled parties of the first part, (and considered in the plural sense whether one or more) in consideration of the sum of One Dollar in hand paid to the parties of the first part, by John M. Thorne Trustee, party of the second part, of Dallas County, Texas, the receipt whereof is hereby acknowledged, and of the further consideration, uses, purposes and trusts herein set forth and declared, have Granted, Bargained, Sold, Aliened, Conveyed and Confirmed, and by these presents do Grant, Bargain, Sell, Alien, Convey and Confirm, unto the said party of the second part, and also to the Substitute Trustee, as hereinafter provided, all of the following described property, lying and situated in the County of Dallas, in the State of Texas, to-wit:

BEING LOTS 101 and 102 of BURBANK GARDENS NO. 1, an Addition to the County of Dallas, Texas, according to the Map thereof recorded in Volume 5, Page 109, Map Records, Dallas County, Texas.

IT IS UNDERSTOOD AND AGREED that the note hereinafter described, for which this Deed of Trust is given as additional security, is secondary and subordinate to one first lien note dated July 15, 1965, in the principal sum of $10,500.00, executed by Ralph W. Smartt, payable to the order of the First National Bank in Grand Prairie, Grand Prairie, Texas, as therein provided; which note is secured by Deed of Trust of even date therewith to N. D. Black, Jr., Trustee;

IT IS FURTHER UNDERSTOOD AND AGREED that should the Grantors herein fail to pay any current installment on the said first lien note hereinabove described and same shall become delinquent, the Beneficiary herein shall have the right to immediately accelerate the note hereinafter described for which this instrument is given as security and shall be entitled to exercise all of the remedies herein provided as though the latter note were in default;

IT BEING FURTHER UNDERSTOOD AND AGREED that the liens herein and hereby secured are additionally secured by vendor's lien retained in Deed of even date herewith from Ralph W. Smartt d/b/a Central Development Company to the undersigned upon the hereinabove described property.

together with all improvements thereon, or hereafter to be placed thereon, and all and singular the rights and appurtenances to the same belonging or in anywise incident or appertaining.

TO HAVE AND TO HOLD unto the said party of the second part, and to his successors and his and their assigns forever, hereby covenanting and agreeing to Forever Warrant and Defend the premises aforesaid, and every part thereof, unto the said Trustee and to the Substitute Trustee, and to the assigns of any Trustee hereunder, against all persons whomsoever lawfully claiming or to claim the same or any part thereof for and upon the following trusts, terms and conditions to-wit:

10-10-1966

925 0854

DYNCORP 00677

That Whereas the said parties of the first part are justly indebted to Ralph W. Smartt and Kenneth D. Smartt d/b/a Ra-Ken Enterprises party of the third part herein, as evidenced by one certain promissory note executed by the said parties of the first part and payable to the order of the said party of the third part, and being further described as follows, to-wit:

BEING in the principal sum of $1,403.08, bearing interest at the rate of seven (7%) per cent per annum, payable in equal monthly installments of $100.00, the first installment due and payable on the 15th day of November, 1966, and a like installment due and payable onthe 15th day of each succeeding month thereafter until maturity;

Each maker, surety and endorser of this note expressly waives all notices, demands for payment, presentations for payment, notices of intention to accelerate the maturity, protest and notice of protest, as to said note and as to each, every and all installments thereof.

Now, should the said parties of the first part make prompt payment of said indebtedness, and shall pay, or cause to be paid, all other indebtedness secured by this conveyance, both principal and interest, as the same shall become due and payable, and strictly comply with all the conditions and requirements herein provided, then this conveyance shall become null and void and of no further force or effect, and shall be released at the cost and expense of said parties of the first part. But should the said parties of the first part make default in the punctual payment of said indebtedness, or any part thereof, principal or interest, as the same shall become due and payable, or should said parties of the first part in any respect fail to keep and perform any one or more of the conditions herein provided to be kept and performed by said parties of the first part, then, and in any such case, the whole amount of said indebtedness remaining shall, at the option of the holder of said indebtedness, immediately mature and become payable, and it shall thereupon, or at any time thereafter, the same, or any part thereof, remaining unpaid, be the duty of the said party of the second part herein, and of his successor or substitute, as hereinafter provided, on the request of the holder of said indebtedness thereof (which request is hereby presumed) to enforce this Trust; and after advertising the time, place and terms of the sale of all of the above conveyed and described property, or any part thereof (the privilege of selling in whole or in part being hereby granted) for at least twenty-one days successively next before the day of sale, by posting up written or printed notices thereof at three public places in the County in which said real estate is situated, one of which shall be at the Court House Door of such County, to sell the same, in accordance with such advertisement, at public auction, in front of the Court House of the County in which said property is situated, on the first Tuesday in any month between the hours of ten o'clock A.M. and four o'clock P.M. to the highest bidder for cash, selling all property above conveyed as an entirety or in parcels as the Trustee may elect, and make due conveyance to the purchaser or purchasers, with general warranty, binding the said parties of the first part herein and their heirs and assigns; and, out of the money arising from such sale, the Trustee acting shall pay: First, all the expenses of advertising sale and conveyance, including a commission of five per cent to himself, and then to the holder of said indebtedness, the full amount of principal and interest due and unpaid on said indebtedness, as hereinbefore set forth, and all taxes, assessments, insurance premiums or other advancements made, as provided for herein, with interest thereon, rendering the balance of the purchase money, if any, to the said parties of the first part, their heirs or assigns; and said sale shall forever be a perpetual bar against the said parties of the first part, their heirs and assigns, and all other persons claiming under any of them. It is expressly agreed that the recitals in the conveyance to the purchaser shall be full evidence of the truth of the matters herein stated, and all prerequisites to said sale shall be presumed to have been performed. The holder of said indebtedness shall have equal rights to become the purchaser at such sale, being the highest bidder.

In case of absence, death, inability, refusal or failure of the Trustee herein named to act, a successor and substitute may be named, constituted and appointed by the holder of said indebtedness, without other formality than an appointment and designation in writing; and this conveyance shall vest in him, as Trustee, the estate and title in all said premises and he shall thereupon hold, possess and execute all the title, rights, powers and duties herein conferred on said Trustee named, and his conveyance to the purchaser shall be equally valid and effective; and such right to appoint a successor or Substitute Trustee shall exist as often and whenever from any of said causes, any Trustee, original or substitute, cannot or will not act.

It is agreed and stipulated that the parties of the first part herein shall and will at their own proper cost and expense, keep the property and premises herein described, and upon which a lien is hereby given and created, in good repair and condition, and pay and discharge as they are or may become payable, all and every taxes and assessments that are or may become payable thereon under any law, ordinance or regulation, whether made by Federal, State or Municipal authority, and shall keep said property fully insured in some company or companies approved by the holder of said indebtedness, to whom the loss, if any, shall be payable, and by whom the policies shall be kept. And in case of default made by the parties of the first part in performance of any of the foregoing stipulations, the same may be performed by the holder of said indebtedness, for account and at the expense of the parties of the first part, and any and all expense incurred and paid in so doing shall be payable by the parties of the first part to the party of the third part with interest at the rate of ten per cent per annum from the date when the same was so incurred or paid, and shall stand secured and payable by and under this deed in like manner with the other indebtedness herein mentioned, and the amount and nature of such expense and time when paid shall be held fully established by the affidavit of the holder of said indebtedness, or the holder's agent, or by the certificate of any Trustee acting hereunder. Provided, however, that the exercise of the right of advancement shall in nowise be considered or constitute a waiver of the right of the holder of said indebtedness to declare same, and all other indebtedness hereunder to be at once due and payable.

It is further agreed and stipulated that the security herein and hereby provided shall not affect, nor be affected by, any other or further security taken or to be taken for the same indebtedness, or any part thereof; and the said parties of the first part hereby declare that the property hereinbefore mentioned and conveyed to said party of the second part forms no part of any property by them owned, used, occupied or claimed as their homestead or as exempt from forced sale under the laws of the State of Texas, and disclaim and renounce all and every claim thereto under any such law or laws.

Parties of the first part specifically agree that, after any sale under this deed of trust, they or their heirs or assigns, shall be mere tenants at sufferance of the purchaser of said property, or any part thereof, at such Trustee's sale, and that such purchaser shall be entitled to the immediate possession thereof, and upon failure to surrender possession, the purchaser as landlord, shall have the right to go into any Justice of the Peace Court in the precinct and county in which the property is located, and file an action for forcible detainer, which action shall be against parties of the first part, their heirs or assigns, as tenants of such purchaser. This remedy is cumulative of any and all other remedies the purchaser may have hereunder, or otherwise.

EXECUTED this 4th day of October, A. D. 1966.

4250 0555

DYNCORP 00678

ATTEST:

James L. Womble, Secretary

LAND-AIR, INC.

By

Pat Rutherford, President

THE STATE OF TEXAS,
COUNTY OF DALLAS

BEFORE ME, the undersigned authority, in and for said County, Texas, on this day personally appeared Pat Rutherford, President of Land-Air, InCorporated known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, and in the capacity therein stated, as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, This 2nd day of October, A.D. 1966

(L.S.)

EVA MAE DeBAUN
Notary Public in and for Dallas County, Texas

Eva Mae DeBaun

Notary Public, Dallas County, Texas
My Commission Expires June 1, 1967

THE STATE OF TEXAS,
COUNTY OF

BEFORE ME, the undersigned authority, in and for said County, Texas, on this day personally appeared , wife of known to me to be the person whose name is subscribed to the foregoing instrument, and having been examined by me privily and apart from her husband, and having the same fully explained to her, she, the said acknowledged such instrument to be her act and deed, and she declared that she had willingly signed the same for the purposes and consideration therein expressed, and that she did not wish to retract it.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, This day of , A.D. 19

(L S.)

Notary Public, County, Texas
My Commission Expires June 19

THE STATE OF TEXAS,
COUNTY OF

BEFORE ME, the undersigned authority, in and for said County, Texas, on this day personally appeared and his wife, both known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they each executed the same for the purposes and consideration therein expressed, and the said , wife of the said having been examined by me privily and apart from her husband, and having the same fully explained to her, she, the said acknowledged such instrument to be her act and deed, and she declared that she had willingly signed the same for the purposes and consideration therein expressed, and that she did not wish to retract it.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, This day of , A.D. 19

(L. S.)

Notary Public, County, Texas
My Commission Expires June 19

THE STATE OF TEXAS,
COUNTY OF

I, County Clerk of the County Court of said County, do hereby certify that the foregoing instrument of writing dated on the day of , A.D. 19 , with its Certificate of Authentication, was filed for record in my office on the day of , A.D. 19 , at o'clock M., and was duly recorded this day of , A.D. 19 , at o'clock M., in the Records of said County, in Volume , on pages

WITNESS my hand and seal of the County Court of said County, at my office in the day and year last above written.

Clerk County Court County, Texas

(L. S.)

By Deputy

DYNCORP 00679

DEED OF TRUST

TO

Trustee

FOR BENEFIT OF

Texas

Prepared by Law Office of John M. Thorne,
201 West College Street, Grand Prairie, Texas

Return to:

John M. Thorne
P. O. Box 899
Grand Prairie, Texas

FILED
Tom E. Ellis
COUNTY CLERK
DALLAS COUNTY

1966 OCT 10 PM 3 45

STATE OF TEXAS COUNTY OF DALLAS

I hereby certify that this instrument was filed on the date and time stamped hereon by me and was duly recorded in the volume and page of the named records of Dallas County, Texas as stamped hereon by me.

OCT 11 1966

Tom E. Ellis

COUNTY CLERK, Dallas County, Texas

925 0557

This Financing Statement is presented to a Filing Officer for filing pursuant to the Uniform Commercial Code

3. Maturity Date (if any): FILED:

1. Debtor(s) (Last name first) and Mailing Address:

Land-Air, Inc.
114 N. E. 28th Street
Grand Prairie, Texas

2. Secured Party(ies) Name and Address:

Exchange Tool & Supply, Inc.
1900 W. Mockingbird Lane
Dallas, Texas

4. For Filing Officer (Date, Time, Number and Filing Office):

COUNTY CLERK
DALLAS COUNTY
1968 MAY 6 AM 10 48

5. This Financing Statement covers the following types (or items) of collateral. (If collateral is crops growing or to be grown or goods which are or are to become fixtures, also describe real estate concerned):

1 - Model 7A Dynamic Taiyo Threading Machine w/acc's
Serial No. L-1033
2 - Automatic Reset Rachet Return
1 - Tracer Unit
1 - Chuck and Cylinder

Collateral is, or includes, fixtures. Name of record owner of realty is Land-Air, Inc. Collateral affixed to realty located at 114 N.E.28th St., Grand Prairie, Dallas County, Texas

6. Name and Address of Assignee of Secured Party: (Use this space to describe collateral if needed)

C.I.T. Corporation
400 North St. Paul St.
Dallas, Texas 75201

Check ☒ if covered: ☒ Proceeds of collateral are also covered. ☐ Products of collateral are also covered. Number of additional sheets presented —

7. This Statement is filed without the Debtor's signature to perfect a security interest in collateral
Please check appropriate box: ☐ already subject to a security interest in another jurisdiction when it was brought into this state, or ☐ which is proceeds of the original collateral described above in which a security interest was perfected, or ☐ already subject to a Financing Statement filed in another county.

68009 0073

Land-Air, Inc.

By _____
Signature(s) of Debtor(s)

Exchange Tool & Supply, Inc.

By Morris E. Hamilton
Signature(s) of Secured Party(ies)

(1) Filing Officer Copy—Numerical

$1.50

STANDARD FORM — FORM UCC-1 — Approved by Secretary of State of Texas — C.I.T. Corporation

FILED
1968 MAY 6 AM 10 48
COUNTY CLERK
DALLAS COUNTY

FILE DATE: 5-9-68

5-6-1968

DYNCORP 00681

JUL-19-68 102101 DEED OF TRUST DT — A 4.50

4.50

DEED OF TRUST

THE STATE OF TEXAS, }
COUNTY OF DALLAS } Know All Men By These Presents:

THAT LAND-AIR, INC., a Texas Corporation, acting herein by and through its duly authorized officers,

of Dallas County, Texas, hereinafter styled parties of the first part, (and considered in the plural sense whether one or more) in consideration of the sum of One Dollar in hand paid to the parties of the first part, by John M. Thorne Trustee, party of the second part, of Dallas County, Texas, the receipt whereof is hereby acknowledged, and of the further consideration, uses, purposes and trusts herein set forth and declared, have Granted, Bargained, Sold, Aliened, Conveyed and Confirmed, and by these presents do Grant, Bargain, Sell, Alien, Convey and Confirm, unto the said party of the second part, and also to the Substitute Trustee, as hereinafter provided, all of the following described property, lying and situated in the County of Dallas, in the State of Texas, to-wit:

BEING LOTS 101 and 102, UNIT #1, BURBANK GARDENS, an Addition to the City of Grand Prairie, Texas, according to the map thereof recorded in the map records of Dallas County, Texas, Volume 5, Page 109.

IT IS UNDERSTOOD AND AGREED that the note hereinafter described, for which this Deed of Trust is given as additional security is third and subordinate to the following described notes: (1) One first lien note dated July 15, 1965, in the principal sum of $10,500.00, executed by Ralph W. Smartt, payable to the order of The First National Bank in Grand Prairie, Grand Prairie, Texas, as therein provided; which note is secured by Deed of Trust of even date therewith to N. D. Black Jr., Trustee; (2.) one second lien note dated October 5, 1966, in the principal sum of $1,403.08 executed by the undersigned payable to the order of Ralph W. Smartt and Kenneth D. Smartt, d/b/a Ra-Ken Enterprises, as therein provided; which note is secured by Deed of Trust of even date therewith to John M. Thorne, Trustee.

IT IS FURTHER UNDERSTOOD AND AGREED that should the Grantors herein fail to pay any current installment on the said first and second lien notes hereinabove described and same shall become delinquent, the Benefidiary herein shall have the right to immediately accelerate the note hereinafter described for which this instrument is given as security and shall be entitled to exercise all of the remedies herein provided as though the latter note were in default.

together with all improvements thereon, or hereafter to be placed thereon, and all and singular the rights and appurtenances to the same belonging or in anywise incident or appertaining.

TO HAVE AND TO HOLD unto the said party of the second part, and to his successors and his and their assigns forever, hereby covenanting and agreeing to Forever Warrant and Defend the premises aforesaid, and every part thereof, unto the said Trustee and to the Substitute Trustee, and to the assigns of any Trustee hereunder, against all persons whomsoever lawfully claiming or to claim the same or any part thereof for and upon the following trusts, terms and conditions to-wit:

7-19/1968

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DYNCORP 00682

That, Whereas the said parties of the first part are justly indebted to Loughborough Engineering Company, a corporation, party of the third part hereto, as evidenced by one certain promissory note executed by the said parties of the first part payable to the order of the said party of the third part, and being further described as follows, to-wit:

bEING in the principal sum of $15,492.00, including interest, due and payable on or before 120 days after date.

Each maker, surety and endorser of this note expressly waives all notices, demands for payment, presentations for payment, notices of intention to accelerate the maturity, protest and notice of protest, as to said note and as to each, every and all installments thereof.

Now, should the said parties of the first part make prompt payment of said indebtedness, and shall pay, or cause to be paid, all other indebtedness secured by this conveyance, both principal and interest, as the same shall become due and payable, and strictly comply with all the conditions and requirements herein provided, then this conveyance shall become null and void and of no further force or effect, and shall be released at the cost and expense of said parties of the first part. But should the said parties of the first part make default in the punctual payment of said indebtedness, or any part thereof, principal or interest, as the same shall become due and payable, or should said parties of the first part in any respect fail to keep and perform any one or more of the conditions herein provided to be kept and performed by said parties of the first part, then, and in any such case, the whole amount of said indebtedness remaining shall, at the option of the holder of said indebtedness, immediately mature and become payable, and it shall thereupon, or at any time thereafter, the same, or any part thereof, remaining unpaid, be the duty of the said party of the second part herein, and of his successor or substitute, as hereinafter provided, on the request of the holder of said indebtedness thereof (which request is hereby presumed) to enforce this Trust; and after advertising the time, place and terms of the sale of all of the above conveyed and described property, or any part thereof (the privilege of selling in whole or in part being hereby granted) for at least twenty-one days successively next before the day of sale, by posting up written or printed notices thereof at three public places in the County in which said real estate is situated, one of which shall be at the Court House Door of such County, to sell the same, in accordance with such advertisement, at public auction, in front of the Court House of the County in which said property is situated, on the first Tuesday in any month between the hours of ten o'clock A.M. and four o'clock P.M. to the highest bidder for cash, selling all property above conveyed as an entirety or in parcels as the Trustee may elect, and make due conveyance to the purchaser or purchasers, with general warranty, binding the said parties of the first part herein and their heirs and assigns; and, out of the money arising from such sale, the Trustee acting shall pay: First, all the expenses of advertising sale and conveyance, including a commission of five per cent to himself, and then to the holder of said indebtedness, the full amount of principal and interest due and unpaid on said indebtedness, as hereinbefore set forth, and all taxes, assessments, insurance premiums or other advancements made, as provided for herein, with interest thereon, rendering the balance of the purchase money, if any, to the said parties of the first part, their heirs or assigns; and said sale shall forever be a perpetual bar against the said parties of the first part, their heirs and assigns, and all other persons claiming under any of them. It is expressly agreed that the recitals in the conveyance to the purchaser shall be full evidence of the truth of the matters herein stated, and all prerequisites to said sale shall be presumed to have been performed. The holder of said indebtedness shall have equal rights to become the purchaser at such sale, being the highest bidder.

In case of absence, death, inability, refusal or failure of the Trustee herein named to act, a successor and substitute may be named, constituted and appointed by the holder of said indebtedness, without other formality than an appointment and designation in writing; and this conveyance shall vest in him, as Trustee, the estate and title in all said premises and he shall thereupon hold, possess and execute all the title, rights, powers and duties herein conferred on said Trustee named, and his conveyance to the purchaser shall be equally valid and effective; and such right to appoint a successor or Substitute Trustee shall exist as often and whenever from any of said causes, any Trustee, original or substitute, cannot or will not act.

It is agreed and stipulated that the parties of the first part herein shall and will at their own proper cost and expense, keep the property and premises herein described, and upon which a lien is hereby given and created, in good repair and condition, and pay and discharge as they are or may become payable, all and every taxes and assessments that are or may become payable thereon under any law, ordinance or regulation, whether made by Federal, State or Municipal authority, and shall keep said property fully insured in some company or companies approved by the holder of said indebtedness, to whom the loss, if any, shall be payable, and by whom the policies shall be kept. And in case of default made by the parties of the first part in performance of any of the foregoing stipulations, the same may be performed by the holder of said indebtedness, for account and at the expense of the parties of the first part, and any and all expense incurred and paid in so doing shall be payable by the parties of the first part to the party of the third part with interest at the rate of ten per cent per annum from the date when the same was so incurred or paid, and shall stand secured and payable by and under this deed in like manner with the other indebtedness herein mentioned, and the amount and nature of such expense and time when paid shall be held fully established by the affidavit of the holder of said indebtedness, or the holder's agent, or by the certificate of any Trustee acting hereunder. Provided, however, that the exercise of the right of advancement shall in nowise be considered or constitute a waiver of the right of the holder of said indebtedness to declare same, and all other indebtedness hereunder to be at once due and payable.

It is further agreed and stipulated that the security herein and hereby provided shall not affect, nor be affected by, any other or further security taken or to be taken for the same indebtedness, or any part thereof; and the said parties of the first part hereby declare that the property hereinbefore mentioned and conveyed to said party of the second part forms no part of any property by them owned, used, occupied or claimed as their homestead or as exempt from forced sale under the laws of the State of Texas, and disclaim and renounce all and every claim thereto under any such law or laws.

Parties of the first part specifically agree that, after any sale under this deed of trust, they or their heirs or assigns, shall be mere tenants at sufferance of the purchaser of said property, or any part thereof, at such Trustee's sale, and that such purchaser shall be entitled to the immediate possession thereof, and upon failure to surrender possession, the purchaser as landlord, shall have the right to go into any Justice of the Peace Court in the precinct and county in which the property is located, and file an action for forcible detainer, which action shall lie against parties of the first part, their heirs or assigns, as tenants of such purchaser. This remedy is cumulative of any and all other remedies the purchaser may have hereunder, or otherwise.

EXECUTED this 15th day of July A. D. 19 68.

68112 1313

DYNCORP 00683

LAND-AIR, INC.

By: Pat Rutherford, President

ATTEST:

By: Ralph W. Smartt, Secretary

THE STATE OF TEXAS,
COUNTY OF Dallas

BEFORE ME, the undersigned authority, in and for said County, Texas, on this day personally appeared Pat Rutherford, President of Land-Air, Inc., a corporation, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, as the act and deed of said corporation and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, This 26 day of July, A.D. 19 68.

(L. S.)

Notary Public, Dallas County, Texas
My Commission Expires June 1, 19 69.

THE STATE OF TEXAS,
COUNTY OF

BEFORE ME, the undersigned authority, in and for said County, Texas, on this day personally appeared ..... wife of ..... known to me to be the person whose name is subscribed to the foregoing instrument, and having been examined by me privily and apart from her husband, and having the same fully explained to her, she, the said ..... acknowledged such instrument to be her act and deed, and she declared that she had willingly signed the same for the purposes and consideration therein expressed, and that she did not wish to retract it.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, This ..... day of ....., A.D. 19.....

(L. S.)

Notary Public, ... County, Texas
My Commission Expires June ....., 19.....

THE STATE OF TEXAS,
COUNTY OF

BEFORE ME, the undersigned authority, in and for said County, Texas, on this day personally appeared ..... and ..... his wife, both known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they each executed the same for the purposes and consideration therein expressed, and the said ..... wife of the said ..... having been examined by me privily and apart from her husband, and having the same fully explained to her, she, the said ..... acknowledged such instrument to be her act and deed, and she declared that she had willingly signed the same for the purposes and consideration therein expressed, and that she did not wish to retract it.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, This ..... day of ....., A.D. 19.....

(L. S.)

Notary Public, ... County, Texas
My Commission Expires June ....., 19.....

THE STATE OF TEXAS,
COUNTY OF

I, ... County Clerk of the County Court of said County, do hereby certify that the foregoing instrument of writing dated on the ..... day of ....., A.D. 19....., with its Certificate of Authentication, was filed for record in my office on the ..... day of ....., A.D. 19....., at ..... o'clock ..... M., and was duly recorded this ..... day of ....., A.D. 19....., at ..... o'clock ..... M., in the Records of said County, in Volume ....., on pages .....

WITNESS my hand and seal of the County Court of said County, at my office in ..... the day and year last above written.

Clerk County Court ..... County, Texas

(L. S.)

By ....., Deputy

68142 1314

DYNCORP 00684

DYNCORP 00685

6814S 1315
PAGE

STATE OF TEXAS
COUNTY OF DALLAS
I hereby certify that this instrument was filed on the date and time stamped hereon by me and was duly recorded in the volume and page of the named records of Dallas County, Texas as stamped hereon by me.
JUL 19 1968
COUNTY CLERK, Dallas County Texas

Jul 19 12 24 PM '68
FILED
COUNTY CLERK
DALLAS COUNTY, TEXAS

DEED OF TRUST

_____

TO

_____ Trustee

FOR BENEFIT OF _____

_____

Return to:

_____

JOHN M. THORNE
Attorney at Law
P. O. Box
Grand Prairie, Texas

_____, Texas.

Prepared by Law Office of John M. Thorne,
302 West College Street, Grand Prairie, Texas

THE STATE OF TEXAS)
) KNOW ALL MEN BY THESE PRESENTS:
COUNTY OF DALLAS)

THAT at a duly called meeting of the Board of Directors of LAND-AIR, INC., a corporation, on July 15, 1968, at which a quorum was present and voting, the following resolution was proposed, discussed and adopted:

"BE IT RESOLVED that LAND-AIR, INC., shall borrow from LOUGHBOROUGH ENGINEERING COMPANY, a corporation, the sum of $15,492.00; and that Pat Rutherford, President of said Corporation shall execute and deliver its certain promissory note to said lender, which shall be payable as follows:

The $15,492.00 represents the construction agreed upon by and between the parties of a building 64 x 70 foot, and the said sum is payable 30% upon completion of the concrete foundation; 40% upon delivery of the pre-engineered building to the job site and the balance upon the completion of the contract; said note to be further secured by a Deed of Trust of even date therewith to John M. Thorne, Trustee, on the following described property, to-wit:

BEING LOTS 101 and 102, UNIT #1, BURBANK GARDENS, an Addition to the City of Grand Prairie, Texas, according to the map thereof recorded in the map records of Dallas County, Texas, Volume 5, Page 109.

That Pat Rutherford, President of LAND-AIR, INC., be and he is hereby authorized to execute and deliver for and in the name of said LAND-AIR, INC., its note and Deed of Trust conveyed to any designated Trustee, the property hereinabove described and that the Secretary of said Corporation be authorized, and he is authorized to affix the corporate seal of said Corporation to said Deed of Trust and to attest the same."

I, RALPH W. SMARTT, Secretary of LAND-AIR, INC., a corporation, do hereby certify that the above and foregoing is a true and correct copy of the resolution passed by the Board of Directors of said corporation as aforesaid; that said resolution now appears on the minutes of said LAND-AIR, INC., and has not been amended or revoked.

7-19-1968

DYNCORP 00686

WITNESS MY HAND AND SEAL OF OFFICE this the 15th day of July, A. D., 1968.

Ralph W. Smartt

Ralph W. Smartt, Secretary of Land-Air, Inc.

SUBSCRIBED AND SWORN TO BEFORE ME by the said Ralph W. Smartt, Secretary of Land-Air, Inc., this the 15th day of July, A. D., 1968.

Betty Rudd

Notary Public in and for Dallas County, Texas

THE STATE OF TEXAS)
)
COUNTY OF DALLAS)

BEFORE ME, the underaigned, a Notary Public in and for said County, Texas, on this day personally appeared Ralph W. Smartt, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the said was the act of the said Land-Air, Inc., a cororation, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 15th day of July, A. D., 1968.

Betty Rudd

Notary Public in and for Dallas County, Texas.

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DYNCORP 00687

DUE DATE: 7-12-68

DYNCORP 00688

SEP--9-63 130530 [illegible] 350

150—WARRANTY DEED (WITH VENDOR'S LIEN) 68-I-24937 DEED RECORD TEXAS STANDARD FORM

The State of Texas, } **Know All Men by These Presents:**
County of DALLAS }

That we, A. C. SINGLETON and wife, ERTHA MAE SINGLETON

of the County of Dallas State of Texas for and in consideration

of the sum of Ten & No/100 ($10.00) -- DOLLARS

And other good and valuable considerations
to us paid, and secured to be paid, by JIMMY LEROY GULLETT and wife, REBA LUCILLE GULLETT;

The receipt of which is hereby acknowledged and confessed; and as follows:

THE FURTHER CONSIDERATION of the sum of FIVE THOUSAND FIVE HUNDRED AND NO/100 ($5,500.00) DOLLARS, cash advanced by IRVING SAVINGS ASSOCIATION at the special instance and request of Grantees herein, said amount evidenced by the execution and delivery by Grantees herein of their one certain note of even date herewith in the principal sum of $5,500.00, payable to the order of IRVING SAVINGS ASSOCIATION in monthly installments as therein provided, said note secured by a first and superior vendor's lien herein retained upon the hereinafter described property, and further secured by Deed of Trust of even date herewith to Granvel O. Smith, Trustee;

have Granted, Sold and Conveyed, and by these presents do Grant, Sell and Convey, unto the said

JIMMY LEROY GULLET and wife, REBA LUCILLE GULLETT

of the County of Dallas State of Texas all that certain lot, tract, or parcel of land situated in Dallas County, Texas, and being:

LOT 99, of BURBANK GARDENS ADDITION, an Addition to the City of Grand Prairie, Texas, according to the plat recorded in Volume 5, at Page 109, of the Map Records of Dallas County, Texas;

9-9/1968

68177 0932

DYNCORP 00689

TO HAVE AND TO HOLD the above described premises, together with all and singular the rights and appurtenances thereto in anywise belonging unto the said JIMMY LEROY GULLETT and wife, REBA LUCILLE GULLETT, their

heirs and assigns forever and we do hereby bind ourselves, our heirs, executors and administrators, to Warrant and Forever Defend, all and singular the said premises unto the said JIMMY LEROY GULLETT and wife, REBA LUCILLE GULLETT, their

heirs and assigns, against every person whomsoever lawfully claiming, or to claim the same, or any part thereof.

But it is expressly agreed and stipulated that the Vendor's Lien is retained against the above described property, premises and improvements, until the above described note , and all interest thereon are fully paid according to its face and tenor, effect and reading, when this deed shall become absolute.

WITNESS our hands at Irving, Texas this 5th day of September 1968.

A. C. Singleton
A. C. SINGLETON

Witness at request of Grantor:

Eartha Mae Singleton
EARTHA MAE SINGLETON

68177 0933

NCORP 00690

SINGLE ACKNOWLEDGMENT

THE STATE OF TEXAS,
COUNTY OF Dallas

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared A. C. Singleton and wife, Ertha Mae Singleton known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 5th day of Sept. A. D. 1968

(L. S.) Jack W. Weaver

Notary Public in and for Dallas County, Texas

WIFE'S SEPARATE ACKNOWLEDGMENT

THE STATE OF TEXAS,
COUNTY OF

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared , wife of , known to me to be the person whose name is subscribed to the foregoing instrument, and having been examined by me privily and apart from her husband, and having the same fully explained to her, she, the said acknowledged such instrument to be her act and deed, and she declared that she had willingly signed the same for the purposes and consideration therein expressed, and that she did not wish to retract it.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the day of A. D. 19

(L. S.)

Notary Public in and for County, Texas

JOINT ACKNOWLEDGMENT

THE STATE OF TEXAS,
COUNTY OF

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared and , his wife, both known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they each executed the same for the purposes and consideration therein expressed, and the said , wife of the said having been examined by me privily and apart from her husband, and having the same fully explained to her, she, the said acknowledged such instrument to be her act and deed, and she declared that she had willingly signed the same for the purposes and consideration therein expressed, and that she did not wish to retract it.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the day of A. D. 19

(L. S.)

Notary Public in and for County, Texas

THE STATE OF TEXAS,
COUNTY OF

I HEREBY CERTIFY that the foregoing instrument of writing with its certificate of authentication, was filed for record in my office on the day of , A. D. 19 at o'clock M., and was duly recorded by me on the day of A. D. 19 in Vol. , page , of the Records of said County.

WITNESS MY HAND and the Seal of the County Court of said County, at my office in the day and year last above written.

(L. S.)

County Clerk County, Texas

By , Deputy.

68177 0934

DYNCORP 00691

150

Warranty Deed

(WITH VENDOR'S LIEN)

FROM

A. C. Singleton et ux

TO

Jimmy Leroy Gullett, et ux

FILED FOR RECORD

This.....day of....., A. D. 19.....

at.....o'clock.....M.

.....
County Clerk

By.....
Deputy

RECORDED

....., A. D. 19.....

In .....County Records

In Book....., on Page.....

.....
County Clerk

By.....
Deputy

Recording Fee $.....

This instrument should be filed immediately with the County Clerk for Record.

~~RETURN TO:~~

MR. JIMMY LEROY GULLETT
126 N. E. 28th Street
Grand Prairie, Texas

THE ODEE COMPANY, PUBLISHERS, DALLAS

STATE OF TEXAS
COUNTY OF DALLAS
I hereby certify that this instrument was filed on the date and time stamped hereon by me and was duly recorded in the volume and page of the named records of Dallas County, Texas as stamped hereon by me.

SEP 9 1968

John E. Ellis
COUNTY CLERK, Dallas County, Texas

FILED
John E. Ellis
COUNTY CLERK
DALLAS COUNTY

1968 SEP 9 AM 11 24

NCORP 00692

SEP-9-68 130531 DT—LS F/F 9.00

68-I-24937

DEED OF TRUST

DEED OF TRUST

STATE OF TEXAS
COUNTY OF Dallas } **Know All Men By These Presents:**

THAT Jimmy Leroy Gullett and wife, Reba Lucille Gullett

of Dallas County, Texas, hereinafter called "Grantors", (whether one or more) being justly indebted to IRVING SAVINGS ASSOCIATION, a Savings and Loan Association chartered by the State of Texas, of Irving, Texas, hereinafter called "Association" in the sum of FIVE THOUSAND FIVE HUNDRED AND NO/100 - ($ 5,500.00), evidenced by one note of even date herewith, executed by Grantors, payable to said Association at its principal office at 1650 West Irving Blvd., Irving, Texas, in lawful money of the United States of America, bearing interest from date until paid at the rate specified in said note, interest payable monthly as it accrues on the 15th day of October, 19 68, and on the same day of each calendar month thereafter, past due interest bearing interest from maturity at the rate of 10 per cent per annum, said note being payable in monthly installments in the amount as set out in said note, on the 15th day of October, 19 68, and on the same day of each calendar month thereafter, as therein provided with reasonable attorneys' fees additional as collection fees thereon, in the event said note shall be placed in the hands of an attorney for collection, suit, or presentment in any manner in any court, the payment of which note, according to its terms, tenor and effect, and Grantors desiring to secure the payment of said indebtedness to said Association, Grantors for and in consideration of the sum of Ten Dollars to Grantors in hand paid, by Granvel Smith, hereinafter called "Trustee", receipt of which is hereby acknowledged, and of the further consideration, uses, purposes, and trust herein set forth and declared, have GRANTED, BARGAINED, and SOLD, and by these presents do GRANT, BARGAIN, SELL and CONVEY, unto the said Trustee, and also to the Substitute Trustee, as hereinafter provided, all of the following described property, together with all improvements thereon or hereafter placed thereon, as well as betterments and additions thereto, and all and singular the rights, privileges, tenements, hereditaments, appurtenances, rents, profits and income thereunto or in anywise incident or appertaining, lying and being situated in the County of Dallas, and State of Texas, to-wit:

Being LOT 99, of BURBANK GARDENS ADDITION, an Addition to the City of Grand Prairie, Texas, according to the plat recorded in Volume 5, at Page 109, of the Map Records of Dallas County, Texas; and being the same property conveyed to Grantors herein by Deed of even date herewith, executed by A. C. Singleton and wife, Ertha Mae Singleton, and in which conveyance a vendor's lien is retained securing payment of the herein described and hereby secured note;

9-9 | 1968 6817 0938

YNCORP 00693

Any excess, if any, in the indebtedness hereby secured, over and above the amount expressly refunded, represents advances made to and used by Grantors in paying taxes, reasonably levied, validly, and past due against said security.

It is agreed that any payment made upon the note hereby secured may be applied by the Association, at its election, in payment of any portion of said note, if any which may not be secured by a valid lien upon said real estate or to the reimbursement of said Association for any sum advanced by it for the benefit of Grantors in payment of premiums on any insurance policy held as additional security for said indebtedness or of taxes and/or assessments on any such security.

Grantors being desirous of refunding the balance remaining past due and unpaid on that portion of said indebtedness hereby secured which represents the refunding of pre-existing debt, as above set forth, on terms more desirable and advantageous to Grantors, and all parties in interest being desirous of agreeing upon the amount of principal and/or interest lawfully remaining due on said indebtedness and of adjusting and settling any and all differences or controversies relating to said indebtedness which might have arisen in the past or which might hereafter arise, in consideration of the mutual and reciprocal benefits and obligations moving to and from each party hereto, respectively, it is hereby expressly mutually agreed and understood that the amount of such indebtedness, as hereinabove stated, is the correct and lawful amount of the balance due, owing and unpaid on said indebtedness, and that all indebtedness, and that all offsets, credits, charges and claims of every character, except as set forth in this instrument and/or said note, having been compromised, liquidated and allowed.

No provision hereof or of the note secured hereby shall ever entitle the holder of the note, upon the arising of any contingency whatsoever, to receive or collect interest in excess of the maximum fixed by law on the principal indebtedness hereby secured and in no event shall grantors be obligated to pay interest thereon in excess of such rate.

TO HAVE AND TO HOLD unto said TRUSTEE, his successors or assigns forever, the above described land and premises, together with all and singular the rights, privileges, tenements, hereditaments, appurtenances, rents, profits, and income thereunto or in anywise incident or appertaining, hereby convenanting and agreeing to FOREVER WARRANT AND DEFEND the premises aforesaid and every part thereof unto said TRUSTEE and to Substitute Trustee and to the assigns of any Trustee hereunder against all persons whosoever lawfully claiming or to claim the same, for and upon the following trusts, terms and conditions, to-wit:

Grantors hereby acknowledge the above mentioned liens to be valid and subsisting liens against said property and that the payment of the debt secured is expressly requested by Grantors to be made by said Association, which is hereby expressly subrogated to all the rights, power, liens, equities, superior title, and benefits held, owned and enjoyed by the holder of any debt renewed, refunded, or extended to secure the payment to said Association of the note hereby secured. It is expressly agreed that any power of sale heretofore existing, securing any part of the debt hereby refunded or extended by the terms hereof, shall be kept alive and in force, in this and in any future deed of trust hereafter executed, securing any portion of the debt hereby secured, which power of sale shall remain in all things superior to the rights of any purchaser or lienholder, and this provision shall be a covenant running with the title to said land.

Grantor specially agrees that, should grantor convey the property herein described in whole or in part without prior approval of the holder, the holder of said note shall have the right and option to declare the entire amount of the indebtedness secured hereby to be due and payable. In order to exercise such right and option, the holder of said note shall give written notice to grantor and to the party to whom such property was conveyed by grantor that the entire indebtedness has been declared due and payable and demand payment thereof. Such right and option may be exercised at any time during the period of one (1) year from the date the conveyance of such property by grantor is filed for record. The failure to pay the indebtedness so declared to be due in full within forty-five (45) days after the giving of such notice shall constitute an event of default under this Deed of Trust and the trustee hereunder, shall be, and is hereby authorized and empowered, when requested so to do by the holder of such note after such default to sell the premises as herein provided. In the event the ownership of the premises covered hereby or any part thereof becomes vested in a person other than the Grantors, the holder of the note secured hereby may, without notice to the Grantors deal with such successor or successors in interest with reference to this Deed of Trust and to the debt hereby secured in the same manner as with the Grantors without in any way vitiating or discharging the Grantor's liability hereunder or under the note hereby secured. No sale of the premises covered hereby and no forebearance on the part of the holder of the said note and no extension of the time for the payment of debt hereby secured, given by said holder, its successors or assigns, shall operate to release, discharge, modify, change, or effect the original liability of the Grantors, either in whole or in part.

The Grantors do hereby expressly waive and renounce the benefit of all laws now existing or that may hereafter be enacted providing for any appraisement before sale of any of the premises hereby granted, commonly known as Appraisal laws, and also the benefit of all laws that may be hereafter enacted in any way extending the time for the enforcement of the collection of the debt hereby secured or creating or extending a period of redemption from any sale made in collecting said debt, commonly known as Stay laws and Redemption laws, and the Grantors hereby agree and contract that the laws of the State of Texas, save as above excepted, now in force, relative to the collection of the debt hereby secured and the application to the payment thereof of the property hereby conveyed, are expressly adpoted and made a part hereof.

Grantors do covenant and agree with the holder of the said note and with the said Trustee, as follows:

1. That they will pay the principal of, and interest on the said debt in accordance with the terms of said note;

2. That, together with and in addition to the installments of principal and interest as provided in the note secured hereby, they will pay to the holder of the note a sum equal to one-twelfth (1/12th) of the annual taxes and insurance premiums on policies of fire and other hazard insurance covering the property subject to this Deed of Trust (all as estimated by and in amounts and companies acceptable to the holder of the note) and life insurance premiums if any required, such sum to be held by the holder of the note in escrow to pay such taxes and insurance premiums before the same become delinquent; All payments so required and all payments to be made under the note secured hereby shall be added together and the aggregate amount thereof shall be paid by the grantors each month in a single payment to be applied by the holder of the note to the following items in the order set forth:

(1) the interest as provided in the note; and
(2) the late charges, if any;
(3) the tax and insurance assessment;
(4) amortization of the principal of the note.

Any deficiency in the amount of such aggregate monthly payment shall, unless made good by the grantors prior to the due date of the next such payment, constitute a default under this deed of trust.

3. The Grantors will pay all taxes, assessments, water rates, and other governmental or municipal charges, fines, or impositions, for which provision has not been made hereinabove, and in default thereof the holder of the note secured hereby may pay the same; and Grantors will promptly deliver the official receipts therefor to the said holder.

4. At the option of the holder of the note secured hereby, Grantors will pay a "late charge" in any installment is paid more than fifteen (15) days after due date thereof to cover the extra expense involved in handling delinquent payments.

DYNCORP 00694

It is contemplated that Grantors may hereafter become indebted unto said Association in further sum or sums, which said indebtedness now accrued or to accrue in future it is agreed shall all be payable at 1650 W. Irving Blvd., Irving, Dallas County, Texas, and bear interest at the same rate per annum as the note above described from date incurred until paid, by whatever means the same shall accrue or be incurred, and the conveyance is made for the security and enforcement of the payment of said present and future indebtedness.

In the event Grantors shall well and truly pay or cause to be paid any indebtedness hereby secured, when the same shall become due, and shall keep and perform all covenants, conditions, and stipulations herein, then these presents shall become null and void and shall be released at Grantor's expense; otherwise to be and remain in full force and effect; but, if default be made in the payment of said note, principal or interest, when due, and any one of said sums shall have remained unpaid for a period of one month after date due; or in the event that any part of said security shall have been conveyed, without the assumption of said indebtedness by the purchaser, or in the event of the breach of any agreement or covenant herein, or in any case herein provided, then, at the option of the holder of said note, the whole debt hereby secured shall become due and payable and may be collected by suit, or at the election of the holder and at said holder's request, which request is hereby presumed, the said trustee or his substitute appointed hereunder shall enforce this trust, and after advertising the time, place and terms of sale of all of the above conveyed and described property for three consecutive weeks prior to the day of sale, by posting up written or printed notices thereof at three public places in the county in which the property described above is situated, one of which shall be at the courthouse door of said county, to sell the same in accordance with such advertisement at public auction in front of the courthouse door of said County, on the first Tuesday in any month, between the hours of ten'o'clock A.M. and four o'clock P.M. to the highest secured bid for cash—selling all the above described property as an entirety or in parcels (all rights to a marshalling of security being expressly waived as the TRUSTEE acting may elect) — and make due conveyance to the purchaser or purchasers, with general warranty binding the Grantors, heirs, and assigns; and, out of the money arising from such sale, the TRUSTEE acting shall pay: First, all the expenses of advertising, sale and conveyances, including a commission of five percent of the amount bid to himself: Next, to the payment of all sums of money that may have been expended by "holder" in the performance of any obligation or stipulation contained herein on the part of Grantors, together with all interest and attorney's fees that have accrued thereon, and next, to the full payment of principal, interest and and attorney's fees due and unpaid on the note indebtedness secured by this Deed of Trust, rendering the balance of the purchase money, if any, to the Grantors or their assigns, on reasonable request.

All prerequisites to any sale hereunder shall be presumed to have been performed and any deed executed hereunder shall be prima evidence of the truth of all recitals therein contained and shall be so construed in all courts of law or equity.

And for the purpose of securing the payment of said note, principal, interest and attorney's fees, Grantors do further covenant with said Association and its assigns to pay the sums named in the said note, with interest thereon as therein provided; to permit no waste, to keep all improvements in good repair, and to do and permit to be done to said premise nothing that may in any way impair or weaken the security under the instrument; to keep the buildings now, or hereafter to be erected on said premises, insured against loss or damage by fire for not less than the amount of said note, if procurable to that extent, and against loss or damage by tornado to the extent of 50% of the value of all improvements located on the security, in companies acceptable, and with loss payable to said Association, according to such form as may be required; to deliver all policies of insurance to said Association and to pay ten days before the same shall become delinquent all taxes and assessments that may be levied within the State of Texas upon said premises or any part thereof, it being understood that the legal holder of said note shall have the option to apply the proceeds of insurance either to the restoration of said premises or to the liquidation of the indebtedness hereby secured. And it is expressly and specifically agreed that if Grantors shall fail to effect said insurance and deliver such policies, or pay such taxes, then the said insurance may be effected or said taxes may be paid by the legal holder of said note, at the option of such holder, and the sums expended for such purposes shall become a part of the debt secured hereby, shall become immediately due and payable and shall draw interest at the rate of 10% per annum from date so expended until paid.

In case of the death, resignation, failure, or inability, of the original TRUSTEE, for any reason to make said sale or to perform said trust, then the President or Vice-President of said Association, or other holder, shall have the right to appoint in writing a SUBSTITUTE TRUSTEE; provided, however, that it is expressly understood and agreed that said Association in any event is hereby authorized at its election to appoint in writing a SUBSTITUTE TRUSTEE; and any SUBSTITUTE TRUSTEE appointed hereunder shall succeed to all of the rights and powers of said original TRUSTEE.

Grantors hereby assign to said Association any and all rents on the premises herein described, and authorize said Association to take possession of said premises at any time there is any default on the part of Grantors in the performance of any obligations herein imposed and to rent the same for the accounts of Grantors and to deduct from such rents all costs of collection and administration and to apply the remainder of such rents on the debt hereby secured. In the event of a foreclosure under the power granted hereby, Grantors and their tenents and/or assigns in possession of said property shall thereupon become the tenants at will of the purchaser at such foreclosure sale and shall become liable for and obligated to pay to such purchaser a reasonable weekly rental therefore, and should such tenant refuse to surrender possession of such property, upon demand, the purchaser shall thereupon be entitled to maintain the statutory action of forcible detainer and procure a writ of restitution thereunder. This Deed of Trust and Trustee's Deed executed under the powers created hereby shall be, in any action of forcible detainer prima facie evidence of the existance of the relationship of landlord and tenant as between the purchaser and Grantors, their tenants and/or assigns.

It is agreed that all air conditioning facilities or equipment (both heating and cooling, central or otherwise), lighting and plumbing fixtures, venetian blinds, wall-to-wall carpeting, hot water heaters, built-in stoves, refrigerators, dishwashers, clothes dryers and washers and all other built-in appliances, whether similar or dissimilar, now or hereafter attached to or used in connection with the above described premises, as well as all betterments and additions thereto, shall be considered fixtures for all purposes of this instrument and shall not be removable from the premises.

Where the word ("Grantors") appears here it is understood to include their heirs, assigns, successors, or legal representatives.

WITNESS our hand s this the 5th day of September, 1968

Jimmy Leroy Gullett
JIMMY LEROY GULLETT

Reba Lucille Gullett
REBA LUCILLE GULLETT

68177 0698

THE STATE OF TEXAS,

County of _____

BEFORE ME, the undersigned authority, a Notary Public in and for said County and State, on this day personally appeared _____

and _____, his wife, known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they each executed the same for the purposes and consideration therein expressed, and the said _____

_____ having been examined by me privily and apart from her husband and having the same fully explained to her by me, she the said _____, acknowledged such instrument to be her act and deed, and declared that she had willingly signed the same for the purposes and consideration therein expressed, and that she did not wish to retract it.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this _____ day of _____, 19____.

(SEAL)

_____

Notary Public, _____ County, Texas

THE STATE OF TEXAS,

County of Dallas

BEFORE ME, the undersigned authority, a Notary Public in and for the said County and State, on this day personally appeared Jimmy Leroy Gullett and wife, Reba Lucille Gullett

known to me to be the person s whose name s are subscribed to the foregoing instrument and acknowledged to me that t hey executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 5th day of September, 19 68.

(SEAL)

Jack A. Weaver

Notary Public, Dallas County, Texas

Deed of Trust

Jimmy Leroy Gullett et ux

TO

GRANVEL SMITH, Trustee

For

Irving Savings Association

THE STATE OF TEXAS,

County of _____

Filed for Record

This _____ day of _____ A. D. 19____

at _____ o'clock _____ M.

_____ County Clerk

By _____ Deputy

Return to

IRVING SAVINGS ASSOCIATION

1660 W. IRVING BLVD.

IRVING, TEXAS

STATE OF TEXAS COUNTY OF DALLAS

I hereby certify that this instrument was filed on the date and time stamped hereon by me and was duly recorded in the volume and page of the named records of Dallas County, Texas as stamped hereon by me.

SEP 9 1968

Tom E. Ellis

COUNTY CLERK, Dallas County, Texas

FILED for Record
Tom E. Ellis
COUNTY CLERK
DALLAS COUNTY, TEXAS

1968 SEP 5 AM 11 24

68177 0939

RP 00696

DEC--4-68 178824 WD—LS 2.50

EASEMENT

DEED RECORD

THE STATE OF TEXAS
COUNTY OF Dallas

KNOW ALL MEN BY THESE PRESENTS:

That

Land - Air Inc.

for and in consideration of the sum of $1.00 and other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, to us in hand paid by TEXAS ELECTRIC SERVICE COMPANY, hereinafter called Electric Company, does hereby grant, bargain, sell and convey unto said Electric Company an easement and right-of-way for the construction, reconstruction, maintenance, operation and removal of an underground electric distribution system over, across and under those certain lands described as:

Lot 101 and 102, Burbank Gardens Addition to the City of Grand Prairie, Dallas County, Texas, as the plat of said addition appears of record in Volume 5, Page 109, Plat Records, Dallas County, Texas.

The centerline of a 10 foot wide underground easement being more particularly described and located as follows:

Beginning on the intersection of the East right-of-way of Northeast 28th Street and the north line of Lot 102;

Thence in an easterly direction along the north line of Lot 102, a distance of 41 feet.

Approved As To Form
CANTEY, HANGER, McCOY, CRAVENS & SHARBOROUGH
By

Together with the right of ingress and egress along and upon said easement strip and over and across Grantor's adjoining properties for the purpose of constructing, reconstructing, maintaining, operating or removing said underground electric distribution system, and the right of ingress and egress on the lands immediately adjoining such easement strip as may be necessary to accommodate needed machinery in the construction or reconstruction on such easement, together with the right to trim or cut down such trees, shrubs or bushes on or in the immediate vicinity of such easement strip as may be necessary in the sole judgment of Electric Company to permit the proper construction, reconstruction, maintenance or repair of same; and provided further that should there now or hereafter be constructed on the premises covered by such easement fences or other obstructions, the same shall be removed by the owner thereof and at no cost to Electric Company, if necessary in the construction, reconstruction, maintenance or removal of said underground distribution system.

The wires and/or conduits to be erected on the above described property by Electric Company shall be placed underground, except that Electric Company may install, maintain and operate transformers and service connections above ground at points to be determined by Electric Company.

TO HAVE AND TO HOLD unto the said Electric Company, its successors and assigns, forever.

WITNESS OUR HANDS this 10th day of OCTOBER, 19 68

ATTEST:

Secretary

Land - Air Inc.

BY:

Pat Rutherford, President

Neither the value of the rights herein conveyed nor the consideration paid therefor exceeds $100.00.

68236 0612

12-4-68

12-4-1968 (68236/612)

DYNCORP 00697

E-3992

THE STATE OF TEXAS
Dallas County

UNDERGROUND EASEMENT AND RIGHT-OF-WAY

FROM
Land - Air Inc.

TO
TEXAS ELECTRIC SERVICE COMPANY

THE STATE OF TEXAS }
County }

I, County Clerk in and for said County, hereby certify that the within conveyance was filed in my office for record on the day of 19 at o'clock M, and duly recorded by me on the day of 19 in Book Records of Deeds of said County, at page
Given under my hand and seal of office the day and year last above written.

County Clerk County, Texas
By Deputy.

TESCO 731-825

R. S. BEARD
POST OFFICE BOX 970
FORT WORTH, TEXAS 76101

FILED
1968 DEC 4 AM 9 10
COUNTY CLERK
DALLAS COUNTY

THE STATE OF TEXAS }
COUNTY OF }

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared

known to me to be the person whose name subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.
GIVEN UNDER MY HAND AND SEAL OF OFFICE this the day of A. D. 19

Notary Public in and for County, Texas.

THE STATE OF TEXAS }
COUNTY OF }

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared

known to me to be the person whose name subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.
GIVEN UNDER MY HAND AND SEAL OF OFFICE this the day of A. D. 19

Notary Public in and for County, Texas.

THE STATE OF TEXAS }
COUNTY OF Dallas }

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared Pat Rutherford, President, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the said Land - Air Inc. a corporation, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.
GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 10th day of October A. D. 1968

Rosalyn K. Randall
Notary Public in and for Dallas County, Texas.

68236 0613

12-4-68

DYNCORP 00698

JM Rec. $10.00 GF#62644-GP
FEB-20-69 27666 DT—LS

Deed of Trust

DEED OF TRUST

The State of Texas,
County of DALLAS

Know All Men by These Presents:

THAT LAND-AIR, INC.,

of Dallas County, Texas,

hereinafter referred to as Grantors, whether one or more, for and in consideration of the sum of Ten Dollars ($10.00) to Grantors in hand paid by G. A. Comer, Trustee, the receipt of which is hereby acknowledged, and in consideration of the uses, purposes and trusts hereinafter set forth, have GRANTED BARGAINED, SOLD AND CONVEYED, and by these presents do BARGAIN, GRANT, SELL AND CONVEY, unto the said Trustee and to any substitute Trustee, as hereinafter provided, all of the following described real property lying and being situated in the

County of Dallas, State of Texas, to-wit:

Lots 101 and 102, Burbank Gardens No. 1 Addition, an addition to the City of Grand Prairie, Texas, according to the Map thereof recorded in Volume 5, Page 109, Map Records, Dallas County, Texas.

TOGETHER With all easements and rights of way used in connection therewith, and all and singular the tenements, hereditaments or appurtenances now or at any time hereafter belonging thereto, and together also with all rents, royalties, profits, revenues and incomes whatsoever; and

TOGETHER Also with (1) all buildings, walks, walls, driveways and other improvements thereon; (2) all gas, sewer, water and drainage facilities attached to the same, including sprinkling equipment; (3) all furnaces, elevators, boilers, radiators, hot water heaters, clothes washers when built in, dish washers when built in, refrigerators when built in, air conditioning or ventilating equipment, inner communication, incinerating and garbage removal equipment, and other fixtures and attachements pertaining to any of the buildings or improvements thereon; (4) all items of whatever nature which are built in or especially constructed for a particular location on the premises, such as venetian blinds, inlaid floor coverings, wall-to-wall carpets, cabinets, drawers, tables, book cases, etc., it being agreed and understood that such items shall be deemed fixtures and accessories to the premises and a part of the mortgaged property.

TO HAVE AND TO HOLD The above described property, together with all and singular the rights, privileges, easements and appurtenances thereto in any wise belonging to the premises, unto the said Trustee, his assigns and successors, in fee simple title, forever.

And the Grantors do hereby bind themselves, their heirs, executors, administrators, assigns and successors, to warrant and forever defend all and singular the said premises unto the said Trustee, his successors and assigns in this trust, against every person whomsoever lawfully claiming or to claim the premises or any part thereof. Grantors warrant that they own the above described premises in fee simple and are competent and have full and complete right to convey and encumber the premises and have not conveyed the same or any part thereof to any other person prior to making this conveyance.

2-20/1969

DYNCORP 00699

THIS CONVEYANCE IS IN TRUST HOWEVER To secure the payment of one promissory note, in the principal sum of TWENTY-FIVE THOUSAND AND NO/100 DOLLARS ($ 25,000.00), of even date herewith, executed by Grantors, and payable to the order of STATE RESERVE LIFE INSURANCE COMPANY, a Corporation, hereafter referred to as Beneficiary, at its principal office in Fort Worth, Texas, or at such other place or places as the holder of said note shall designate by written notice, and more particularly described as follows:

A first lien note payable to the order of State Reserve Life Insurance Company, bearing interest from date until paid at the rate of 9% per annum, with principal and interest payable in equal monthly installments of $316.70 each, commencing on the 15th day of March, 1969, and on the 15th day of each month thereafter until February 15, 1979, on which last mentioned date the entire unpaid balance of principal and interest then owing shall become immediately due and payable, said note containing the usual provisions for acceleration of maturity date in the event of default and attorney's fees in such event.

THE GRANTORS DO HEREBY COVENANT AND AGREE AS FOLLOWS:

To pay all debts hereby secured and the interest thereon promptly when due.

To pay before delinquency all taxes, assessments, encumbrances, charges or liens imposed on the premises, and to keep the premises free and clear of all liens and claims which may be superior to the lien created in this instrument so that the lien described herein shall be and remain a first and prior lien on the above described property.

To keep all buildings and improvements on said premises insured as may be required from time to time by the Beneficiary against loss by fire and other hazards, casualties and contingencies, in such amounts as may be required by the Beneficiary. All insurance shall be carried in companies approved by the Beneficiary, and the policies and renewals thereof, with a mortgage clause providing that the benefits are payable to the Beneficiary or to the owner of the debt, to the extent of its interest in said premises, shall be delivered to the Beneficiary. The Grantors agree that the Beneficiary may collect the proceeds of any insurance that may become due under the terms of such policy, and the Beneficiary is hereby given full power to settle or compromise claims thereunder and to demand and receive all funds payable thereunder, without the joinder of the Grantors, and at the Beneficiary's option use the same to rebuild or restore said buildings and improvements, or may apply the same to the discharge of either principal or interest of the indebtedness secured hereby, whether matured or to mature in the future, and may deduct therefrom any expenses incurred in connection with the collection or handling of said fund. If such insurance is not kept in force, the Beneficiary may obtain such insurance, and any sums paid therefor with interest at 10% per annum shall become a part of the debt secured hereby, payable on demand.

To pay to the Beneficiary in instalments on the day on which monthly payments of principal and interest are due under said note, unless specifically relieved of the obligation in writing by the Beneficiary, sufficient funds as may be estimated by the Beneficiary from time to time to permit the Beneficiary to pay when due the next maturing taxes, assessments and hazard insurance premiums. Any excess over the amount required for such purposes shall be held for future use, applied to any indebtedness hereby secured, or refunded to the Grantors at the Beneficiary's option. However, if there is any deficiency in the fund, Grantors will immediately deposit with the Beneficiary, upon demand, the amount required to pay such items. Failure to make any deposit when due or upon demand shall constitute a breach of this instrument.

To further secure said indebtedness, Grantors hereby assign to the Beneficiary or the holder of the debt secured hereby any and all awards which may hereafter be made in any proceedings to condemn the whole or any part of the premises hereby conveyed and any damages to the remaining part of the premises resulting from the condemnation; and the holder of the note is authorized to collect and receive any such funds. Grantors shall not, without first obtaining the written consent of the Beneficiary or the holder of the indebtedness, change the general nature of the occupancy of the property hereby conveyed, or initiate or acquiesce in any zoning reclassification.

To keep all the improvements in good repair and to commit nor suffer the commission of any waste nor permit to be done anything that might impair or weaken the premises as security for this indebtedness.

That the beneficiary may at its option pay any delinquent tax or assessment, or discharge any prior lien or claim, upon said premises, and shall be subrogated thereto, and any such disbursement shall become part of the indebtedness hereby secured, payable on demand, and shall bear interest at the rate of 10% per annum from the date of such disbursement. The beneficiary shall also be subrogated as additional security to the lien, though released of record, to any and all prior encumbrances upon said premises which were paid out of the proceeds of this loan.

That as additional and collateral security for the payment of the debt secured hereby, the Grantors hereby sell, assign and transfer unto the beneficary the uses, incomes and profits of said premises, and all rents and royalties accrued or to accrue under all oil, gas, mineral or other leases or rental agreements affecting the same, and hereby direct any lessee, tenant or other person in possession thereof to pay and deliver the same to the beneficiary, and the collection and receipt of such rents, incomes or royalties shall not operate as a waiver of the priority of the lien of this deed of trust over such lease or rental agreement, or otherwise validate such lease or rental agreement beyond the term for which such rental is accepted; provided, that so long as no default be made in the payment of principal or interest hereby secured, and all the conditions of this deed of trust are performed, the Grantors shall retain possession of and be entitled to appropriate to their own use all the income and profit from said premises; but if default be made in the performance of any of the agreements of the note or notes hereby secured or of the terms of this deed of trust, the beneficiary shall be entitled to the possession said premises and to the appointment of a Receiver to take possession thereof, without regard to the solvency or insolvency of the Grantors or of the then owner of said premises, or the value of said property, or the existence of waste, loss or destruction of the premises or of the rents and profits thereof, and the beneficiary or such Receiver shall be held to account only for the net profits derived from such property.

69036 22243

DYNCORP 00700

BUT IT IS MUTUALLY AGREED Between the parties hereto that if the said Grantors shall faithfully perform all of the convenants and agreements set forth herein, and shall well and truly pay off and discharge all notes and other indebtedness secured and intended to be secured herein, then in that event only this conveyance shall be null and void, and shall be released in due form at the expense of Grantors; otherwise it shall remain in full force.

But if default be made in the payment of any indebtedness herein provided for, whether principal or interest, when the same become due and demandable, or if default be made in any stipulation, agreement or covenant herein contained, then the whole of the indebtedness may, at the option of the said beneficiary, or any holder of said note or notes, or other indebtedness secured hereby, without notice to said grantors, be declared due and payable, and the said beneficiary, or any holder of said note or notes, or other indebtedness secured hereby, may, at its or their option, institute proceedings respectively for the collection at law or in equity, of such amounts as may be then unpaid, or the said Trustee, or his successor or successors hereunder, when so requested by the Beneficiary, or any legal holder of said note or notes, shall take possession of said property, and shall sell or cause the same to be sold, or so much thereof as may seem to him necessary to meet said indebtedness and the expense of executing this trust, at the Court House door in the County where the property is located, at public auction to the highest bidder, for cash, between the hours of ten o'clock a.m., and four o'clock p.m., on the first Tuesday in any month after default as aforesaid, after having given notice of the time, terms and place of such sale and the property to be sold by written notices thereof, posted in three places in said County, or in each of said Counties, in which the property to be sold is situated, one of which shall be at the Court House door of said County, or each of said Counties, in which the property to be sold is situated, for at least three consecutive weeks prior to the day of sale. The beneficiary, or any other holder of the indebtedness, being the highest bidder for cash, may purchase at any foreclosure sale made by the Trustee.

And it is hereby agreed that the said Trustee shall have the privilege of selling said property, together or in lots or parcels, as to him shall seem expedient, and after said sale as aforesaid, said Trustee shall make, execute and deliver to the purchaser or purchasers thereof, a good and sufficient deed or deeds in law, to the property so sold, in fee simple, and shall receive the proceeds of such sale to be applied as follows: First, to the payment of the costs, attorney's fees and other expense of executing this trust, including the payment to said Trustee of five per centum upon the whole amount due and unpaid, as a commission for executing this trust; second, to the payment of the whole debt due the said beneficiary, its successors or assigns, together with all interest due thereon; and lastly, the remainder, if any there be, shall be paid to the said Grantors.

The Grantors specifically agree that after any sale under this deed of trust, they or their heirs or assigns shall be mere tenants at sufferance of the purchaser of said property at the Trustee's sale, and that the purchaser shall be entitled to immediate possession thereof, and that if the said parties fail to vacate the premises immediately, the purchaser shall have the right to go into any justice court in the precinct in the county in which the property is located and file an action in forcible entry and detainer, which action shall lie against the said parties as tenants at sufferance. This remedy shall be cumulative, and shall not in any wise be construed as an exclusive remedy, and the holder of the indebtedness secured hereby shall be fully entitled to a court foreclosure, and to avail itself of any and all other legal or equitable remedies at any time available under the laws of the State of Texas.

In case of the death of the Trustee herein or of any substitute Trustee appointed hereunder, or the refusal, failure, or inability of any Trustee or any substitute Trustee for any reason to act hereunder, or in the event the beneficiary or any holder of said note or notes shall deem it advisable to remove without cause the Trustee or any substitute Trustee and appoint another to execute this trust, then in any of said events the beneficiary or any holder of said note or notes shall have the right, and is hereby authorized and empowered to appoint by instrument in writing a substitute Trustee in lieu of the Trustee herein named, or in lieu of any substitute Trustee, who shall thereupon become vested with and succeed to all the title, powers and duties hereby conferred upon the Trustee named herein, the same as if said substitute Trustee had been named original Trustee by this instrument. If the holder of said note or notes is a corporation, the power of appointment herein granted may be exercised by the officer or officers of such corporation who are authorized under its Articles of Incorporation, By-laws or Resolution of its Board of Directors to execute instruments affecting real estate.

In the event any item, term or provision contained in this instrument is in conflict with the laws of the State of Texas, this instrument shall be affected only as to its application to such item, term or provision, and shall in all other respects remain in full force and effect. It is understood and agreed that in no event and upon no contingency shall the maker or makers of the note or notes secured hereby, or any party liable thereon or therefor, be required to pay interest in excess of the rate allowed by the laws of the State of Texas. The intention of the parties being to conform strictly to the usury laws now in force, any of said contracts for interest shall be held to be subject to reduction to the amount allowed under said usury laws now or hereafter construed by the courts having jurisdiction.

Any deed or deeds which shall be made by any Trustee acting hereunder to the purchaser at any sale made hereunder shall be **prima facie** evidence of the truth of all the recitals therein contained as to the maturity and nonpayment of the debt secured, the request to the Trustee to sell, the advertisement of such sale, the time, place, terms and manner of such sale and proceedings had thereat, and in case such acting Trustee is a substitute, the fact of his appointment, and the facts authorizing the appointment of a substitute to act in the premises. And all courts of law and equity shall accept said deed or deeds as **prima facie** evidence that all prerequisites to the validity of such sale were had and done.

The Grantors will not sell or convey the premises unless the purchaser assumes and agrees to pay the balance of the indebtedness.

Any removal or attempted removal of any of the improvements from the premises shall, at the option of the holder, mature the indebtedness and authorize the sale of the premises pursuant to the terms of this Deed of Trust.

IT IS FURTHER SPECIALLY AGREED That an extension or extensions may be made of the time of payment of all or any part of the debt secured by this instrument, that the terms of the indebtedness secured hereby may be modified, that additional security may be given by Grantors, and that any part of the property conveyed may be released, without releasing Grantors' liability, and without altering or affecting the lien created by this instrument.

The parties executing this instrument on behalf of Grantors, if one or more corporations, represent that the making of this loan, and the execution and delivey of this deed of trust and note, have been duly authorized at the meetings of the Grantors' stockholders and directors, and that the undersigned officers are duly elected, qualified and acting officers of the Grantors' corporation, and have full authority to execute and deliver this deed of trust and note.

It is agreed that if the Grantors comprises more than a single individual or entity, the obligations hereby undertaken by the Grantors to pay the indebtedness and to comply with all the terms of this deed of trust shall be and are hereby made the joint and several obligations of all such parties constituting the Grantors herein. All of the terms, covenants, agreements, obligations, conditions, powers, benefits and advantages set forth in this instrument shall inure to and be binding upon the respective heirs, executors, administrators, successors and assigns of the parties hereto.

It is agreed that the monthly installments described above shall be applied first to any portion of the indebtedness not secured by a valid and subsisting lien and thereafter such monthly installments shall be applied on that portion of the indebtedness secured by the lien described herein.

69036 2259

EXECUTED

~~XXXXXXXXXXXX~~ this the 18th day of February, 19 69

LAND-AIR, INC.

Attest:

By _____ President

_____ Secretary

_____ Grantors

DYNCORP 00701

FEB 20 2 17 PM '69
FILED
John E. Ellis
COUNTY CLERK
DALLAS COUNTY

SINGLE ACKNOWLEDGMENT

THE STATE OF TEXAS, }
COUNTY OF }

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared known to me to be the person whose name subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the day of A. D. 19

(L. S.) .....
Notary Public in and for County, Texas

WIFE'S SEPARATE ACKNOWLEDGMENT

THE STATE OF TEXAS, }
COUNTY OF }

BEFORE ME, the undersigned, a Notary Public in and for Said County and State, on this day personally appeared , wife of , known to me to be the person whose name is subscribed to the foregoing instrument, and having been examined by me privily and apart from her husband, and having the same fully explained to her, she, the said acknowledged such instrument to be her act and deed, and she declared that she had willingly signed the same for the purposes and consideration therein expressed, and that she did not wish to retract it.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the day of A. D. 19

(L. S.) .....
Notary Public in and for County, Texas

JOINT ACKNOWLEDGMENT

THE STATE OF TEXAS, }
COUNTY OF }

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared and , his wife, both known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they each executed the same for the purposes and consideration therein expressed, and the said , wife of the said having been examined by me privily and apart from her husband, and having the same fully explained to her, she, the said acknowledged such instrument to be her act and deed, and she declared that she had willingly signed the same for the purposes and consideration therein expressed, and that she did not wish to retract it.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the day of A. D. 19.

(L. S.) .....
Notary Public in and for County, Texas

CORPORATION ACKNOWLEDGMENT

THE STATE OF TEXAS, }
COUNTY OF Dallas }

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared Pat Rutherford, President , known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the said LAND-AIR, INC., a corporation, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 18th day of February A. D. 19 69.

John M. Thorne
(L. S.)
Notary Public, in and for
Dallas County, Texas

John M. Thorne
Notary Public in and for Dallas County, Texas

Deed of Trust

LAND-AIR, INC.

TO
G. A. COUNTY OF DALLAS
Trustee

For Benefit

STATE OF TEXAS
I hereby certify that this instrument was filed on the date and time stamped hereon by me and was duly recorded in the volume and page of the named records of Dallas County, Texas as stamped hereon by me.
FEB 20 1969
John E. Ellis
COUNTY CLERK, Dallas County, Texas

at.

By ..... County Clerk.
Deputy.

RECORDED

In ..... A. D. 19 ..... County Records
of Deeds of Trust in Book ..... on
page .....

By ..... County Clerk.
Deputy.

WHEN RECORDED RETURN TO
STATE RESERVE LIFE INSURANCE CO.
P. O. Box 1509
Fort Worth, Texas

69036 2251

DYNCORP 00702

197-RELEASE OF LIEN

JW Rec. $2.50 GP#6264-GP

FEB-20-69 27699 WD--LS 2.50

The State of Texas,

County of DALLAS

Know All Men by These Presents:

DEED RECORD

That in consideration of the payment in full according to the face and tenor thereof, of one certain promissory note in the original principal sum of $1,403.08

described in a certain Deed of Trust

executed by Land-Air, Inc.

to John M. Thorne, Trustee

dated the 5th day of October , 1966 , and recorded in Vol. 925 on page 0554 of the records of Deeds of Trust of Dallas County, Texas

the owner and holder of said note , do hereby release the Deed of Trust and all other lien shown by said instrument to exist upon the following described property, to secure payment of said note , viz.:

BEING Lots 101 and 102 of Burbank Gardens No. 1, an Addition to the County of Dallas, Texas, according to the Map thereof recorded in Volume 5, Page 109, Map Records, Dallas County, Texas.

IN WITNESS WHEREOF, the undersigned has executed this instrument, this the 18th day of February , 1969

ATTEST:

Ralph W. Smartt

Kenneth D. Smartt

D/B/A Ra-Ken Enterprises

CORPORATION ACKNOWLEDGMENT

THE STATE OF TEXAS,

COUNTY OF

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared , known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the said a corporation, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the day of A. D. 19

(L. S.)

Notary Public in and for County, Texas

69036 2343

2-20/1969

DYNCORP 00703

SINGLE ACKNOWLEDGMENT

THE STATE OF TEXAS,
COUNTY OF Dallas

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared Ralph W. Smartt and Kenneth D. Smartt known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 18th day of February A. D. 1969

(L. S.) John M. Thorne

Notary Public in and for Dallas County, Texas

John M. Thorne
Notary Public, in and for
Dallas County, Texas

SINGLE ACKNOWLEDGMENT

THE STATE OF TEXAS,
COUNTY OF

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared

known to me to be the person whose name subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the day of A. D. 19

(L. S.)

Notary Public in and for County, Texas

G. F. #62644 GP
State Res Life Ins / Land-Air, Inc

Release of Lien

Ralph W. Smartt and
Kenneth D. Smartt
TO
Land-Air, Inc

FILED FOR RECORD

This ..... day of ..... A. D. 19.....

at ..... o'clock ..... M.

..... County Clerk.

By ..... Deputy.

RECORDED

..... A. D. 19.....

In ..... County Records

In Book ....., on Page .....

..... County Clerk.

By ..... Deputy.

Recording Fee $.....

Return to John M. Thorne
Box 899
Grand Prairie, Texas

Prepared by Law Office of John M. Thorne,
302 West College Street, Grand Prairie, Texas

STATE OF TEXAS
COUNTY OF DALLAS
I hereby certify that this ... date and time stamped hereon by me and was duly recorded in the volume and page of the ... of Dallas County, Texas as stamped hereon by me.

FEB 20 1969

John E. Ellis
COUNTY CLERK, Dallas County, Texas

FEB 20 2 18 PM '69
FILED
John E. Ellis
COUNTY CLERK
DALLAS COUNTY

69036 2344

DYNCORP 00704

FEB-25-69 29710 WD—LS 1.50

197-RELEASE OF LIEN JT/lt GF#62644-GP Rec. $1.50

DEED RECORD

The State of Texas,
County of DALLAS

Know All Men by These Presents:

That in consideration of the payment in full according to the face and tenor thereof, of one certain promissory note in the original principal sum of $10,500.00

described in a certain Deed of Trust

executed by Ralph W. Smartt

to N. D. Black, Jr., Trustee

dated the 15th day of July, 1965, and recorded in Vol. 615 on page 0345 of the records of Deeds of Trust of Dallas County, Texas

the owner and holder of said note, do hereby release the Deed of Trust and all other lien shown by said instrument to exist upon the following described property, to secure payment of said note, viz.:

BEING Lots 101 and 102 of Burbank Gardens No. 1, an Addition in Dallas County, Texas, according to the Map thereof recorded in Volume 5, Page 109, Map Records, Dallas County, Texas.

IN WITNESS WHEREOF, the undersigned has executed this instrument, this the 18th day of February, 1969

ATTEST:

By [signature] Cashier

FIRST NATIONAL BANK IN GRAND PRAIRIE

[signature]

M. H. Hampton, Vice President

CORPORATION ACKNOWLEDGMENT

THE STATE OF TEXAS,
COUNTY OF Dallas

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared M. H. Hampton, Vice Pres., known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the said First National Bank in Grand Prairie, Grand Prairie, Texas a corporation, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 20th day of February A. D. 1969

(L. S.)

[signature]

Notary Public in and for Dallas County, Texas

VOL. PAGE
69039 1727

2-25/1969

DYNCORP 00705

SINGLE ACKNOWLEDGMENT

THE STATE OF TEXAS, }
COUNTY OF }

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared

known to me to be the person whose name subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the day of A. D. 19

(L. S.)

.....
Notary Public in and for County, Texas

SINGLE ACKNOWLEDGMENT

THE STATE OF TEXAS, }
COUNTY OF }

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared

known to me to be the person whose name subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the day of A. D. 19

(L. S.)

.....
Notary Public in and for County, Texas

G. F. #62644 gp State Res/Land-Air

Release of Lien

First National Bank in Grand Prairie

TO

Ralph W. Smartt

FILED FOR RECORD

This.....day of.....A. D. 19.....

at.....o'clock.....M.

.....County Clerk.

By.....Deputy.

RECORDED

.....A. D. 19.....

In.....County Records

In Book.....on Page.....

.....County Clerk.

By.....Deputy.

Recording Fee $.....

Return to John M. Thorne

Box 899

Grand Prairie, Texas

Prepared by Law Office of John M. Thorne,
302 West College Street, Grand Prairie, Texas

STATE OF TEXAS COUNTY OF DALLAS

I hereby certify that this instrument was filed on the date and time stamped hereon by me and was duly recorded in the volume and page of the named records of Dallas County, Texas as stamped hereon by me.

FEB 25 1969

John E. Ellis
COUNTY CLERK, Dallas County, Texas

COUNTY CLERK
DALLAS COUNTY
FILED
FEB 25 2 06 PM '69

VOL. PAGE
69039 1728

DYNCORP 00706

This Financing Statement is presented to a Filing Officer for filing pursuant to the Uniform Commercial Code

3. Maturity Date (if any): 5 years

1. Debtor(s) (Last name first) and Mailing Address:
Land-Air, Inc. (Record owner)
114 N. E. 28th Street
Grand Prairie, Texas

2. Secured Party(ies) Name and Address:
State Reserve Life
Insurance Company
301 West 1st Street
Fort Worth, Texas
76102

4. For Filing Officer (Date, Time, Number and Filing Office):
FILED
John F. Lee
COUNTY CLERK
DALLAS COUNTY
1969 FEB 20 PM 2 10
FEB 20 69 27646
VOL PAGE
69004 1285
COLLATERAL IS OR
INCLUDES FIXTURES

5. This Financing Statement covers the following types (or items) of collateral. (If collateral is crops growing or to be grown or goods which are or are to become fixtures, also describe real estate concerned):

All fixtures and equipment including but not limited to heating and air conditioning equipment, attached to and made a part of the following described real estate:

Lots 101 and 102, Burbank Gardens No. 1 Addition, an addition to the City of Grand Prairie, Texas, according to the Map thereof recorded in Volume 5, Page 109, Map Records, Dallas County, Texas.

6. Name and Address of Assignee of Secured Party: (Use this space to describe collateral, if needed)

Check ☒ if covered: ☒ Proceeds of collateral are also covered. ☐ Products of collateral are also covered. Number of additional sheets presented: 1

7. This Statement is filed without the Debtor's signature to perfect a security interest in collateral
(Please check appropriate box)
☐ already subject to a security interest in another jurisdiction when it was brought into this state, or
☐ which is proceeds of the original collateral described above in which a security interest was perfected, or
☐ already subject to a financing statement filed in another county.

Land-Air, Inc.
By _____ President
Signature(s) of Debtor(s)

State Reserve Life Insurance Company
By G. A. Comer Vice President
Signature(s) of Secured Party(ies)

(1) Filing Officer Copy—Numerical

STANDARD FORM—FORM UCC-1—APPROVED BY SECRETARY OF STATE OF TEXAS—FOR SALE BY STAFFORD-LOWDON CO.

1.00

2-20-1969

DYNCORP 00707

197-RELEASE OF LIEN

JT/lt Rec. $1.50 GF#626440GO

MAR--3-69 32565 WD—LS

The State of Texas,

County of DALLAS

Know All Men by These Presents:

DEED RECORD

That in consideration of the payment in full according to the face and tenor thereof, of one certain promissory note in the original principal sum of $15,492.00

described in a certain Deed of Trust

executed by Land-Air, Inc.

to John M. Thorne, Trustee

dated the 15th day of July , 19 , and recorded in Vol. 68142 on page 1314 of the records of Deeds of Trust of Dallas County, Texas

the owner and holder of said note , do hereby release the Deed of Trust and all other lien shown by said instrument to exist upon the following described property, to secure payment of said note , viz.:

BEING Lots 101 and 102 Unit #1, Burbank Gardens, an Addition to the City of Grand Prairie, Texas, according to the Map thereof recorded in the Map Records of Dallas County, Texas, Volume 5, Page 109.

IN WITNESS WHEREOF, the undersigned has executed this instrument, this the 17th day of February , 19 69

ATTEST:

LOUGHBOROUGH ENGINEERING COMPANY

E. T. Loughborough

President

CORPORATION ACKNOWLEDGMENT

THE STATE OF TEXAS,
COUNTY OF

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared E. T. Loughborough, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the said Loughborough Engineering Company, a corporation, a corporation, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 17th day of February A. D. 19 69

(L. S.)

Notary Public in and for Dallas County, Texas

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3-3-1969

DYNCORP 00708

SINGLE ACKNOWLEDGMENT

THE STATE OF TEXAS,
COUNTY OF

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared

known to me to be the person whose name subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the day of A. D. 19

(L. S.)

Notary Public in and for County, Texas

SINGLE ACKNOWLEDGMENT

THE STATE OF TEXAS,
COUNTY OF

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared

known to me to be the person whose name subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the day of A. D. 19

(L. S.)

Notary Public in and for County, Texas

G. F. #62644 GP
State Reserve/Land-Air

Release of Lien

Loughborough Engineering Co

TO

Land - Air, Inc.

FILED FOR RECORD

This ..... day of ..... A. D. 19 .....

at ..... o'clock ..... M.

..... County Clerk.

By ..... Deputy.

RECORDED

..... A. D. 19 .....

In ..... County Records

In Book ....., on Page .....

..... County Clerk.

By ..... Deputy.

Recording Fee $ .....

Return to John M. Thorne

Box 899

Grand Prairie, Texas

Prepared by Law Office of John M. Thorne,
302 West College Street, Grand Prairie, Texas

STATE OF TEXAS COUNTY OF DALLAS

I hereby certify that this instrument was filed on the date and time stamped hereon by me and was duly recorded in the volume and page of the named records of Dallas County, Texas as stamped hereon by me.

MAR 3 1969

Tom E. Kelly

COUNTY CLERK, Dallas County, Texas

FILED
Tom E. Kelly
COUNTY CLERK
DALLAS COUNTY

MAR 3 1 21 PM '69

VOL. PAGE
69043 1578

DYNCORP 00709

1 Debtor(s) (Last name first) and Mailing Address

LAND-AIR MACHINE &
ENGINEERING CO., INC.
114 N. E. 28th
Grand Prairie, Texas

2 Secured Party(ies) Name and Address

TEXAS WESTERN
FINANCIAL CORPORATION
2200 Adolphus Tower
Dallas, Texas 75202

3 Maturity Date (if any)

4 For Filing Officer (Date, Time, Number and Filing Office)

FILED
COUNTY CLERK
DALLAS COUNTY

1969 AUG 25 PM 2 44

5 This Financing Statement covers the following types (or items) of collateral (if collateral is crops growing or to be grown or goods which are or are to become fixtures, also describe real estate concerned)

All Machinery and Equipment of Debtor described in detail in Exhibit "A" of Chattel Mortgage Security Agreement wherein Debtor is Mortgagor and Secured Party is Mortgagee, dated August 22, 1969, (copy of Exhibit "A" attached hereto and made a part hereof and all appurtenances thereto and replacements and substitutions thereof) COLLATERAL IS OR INCLUDES FIXTURES WHICH ARE AFFIXED OR WILL BE AFFIXED to the real estate described as (see attached legal description) and popularly known as 114 N.E.28th Street, Grand Prairie, Texas. The record owner thereof is Land-Air Machine & Engineering Co., Inc.

6 Name and Address of Assignee of Secured Party (use this space to describe collateral if needed)

Check [X] Covered [X] Proceeds of collateral are also covered [ ] Products of collateral are also covered Number of additional sheets presented

7 This Statement is filed without the Debtor's signature to perfect a security interest in collateral (Please check [ ] already subject to a security interest in another jurisdiction when it was brought into appropriate box) [ ] which is proceeds of the original collateral described above in which a security interest was perfected or [ ] already subject to a financing statement filed in another county

69017 2443

LAND-AIR MACHINE & ENGINEERING
CO., INC.

By Mack M. Hughes
Signature(s) of Debtor(s)

TEXAS WESTERN FINANCIAL CORPORATION

By Berlene Cook
Signature(s) of Secured Party(ies)

69017/2443

8-25/1969

EXHIBIT "A"

One - Model 4H Kearney & Tracker Horizontal Mill S/N 60-4385

One - 16" Bradford Lathe with 3 and 4 Jaw Chuck and Taper Attachment S/N 6066

One - New Fuji Hypatopatic Lathe Model FS with Two Directional Back Slide and Tail Stock S/N 6550

One - Used Model FS Universal Fuji Automatic Hydraulic Chucking Lathe 8" Capacity 12 Speed Geared Head 185 to 1480 RPM, E/W Chuck, Front and Rear Tool Slides Automatic Cycling Coolant, 2 Speed A.C. Motor S/N 6216

One - Used Model FS Universal Fuji Automatic Hydraulic Chucking Lathe 8" Capacity 12 Speed Geared Head 185 to 1480 RPM, E/W Chuck, Front and Rear Tool Slides Automatic Cyling Coolant, 2 Speed A.C. Motor S/N 6230

One - 1963 Model 25-2500 Watson Flagg Thread Roll Machine S/N 24894, capacity 2½ inches with coolant tank and pump

(THIS FINANCING STATEMENT IS SUPPLEMENTAL TO ALL PREVIOUSLY FILED FINANCING STATEMENTS NAMING DEBTOR AND SECURED PARTY AND SHALL NOT BE DEEMED IN ANY MANNER OR TO ANY EXTENT AS IMPAIRING THE VALIDITY OR LEGAL EFFECT OF ANY SUCH PREVIOUSLY FILED STATEMENTS.)

All of the above personal property is located and contained on the premises known as 114 N. E. 28th Street, Grand Prairie, Texas and being lots 101 and 102, Unit #1 Burbank Gardens, an addition to the City of Grand Prairie, Texas, according to the map thereof recorded in the map records of Dallas County, Texas.

The foregoing list of goods and chattels is attached to and made a part of Financing Statement between Land-Air Machine & Engineering Co., Inc., Debtor, and Texas Western Financial Corporation as Secured Party.

H
Initial

63017 2444

FILE DATE: 8-27-69

FEB 12 70 20252 VOL — A 350

MECHANIC LIENS
PROJECT 'ANNA', PHASE III
STREET IMPROVEMENTS,
N.E. 28TH STREET FROM MAIN
STREET TO GIFFORD STREET

THE STATE OF TEXAS }

COUNTY OF DALLAS }

MECHANIC'S LIEN CONTRACT

KNOW ALL MEN BY THESE PRESENTS:

WE, LAND-AIR, INC., a Texas Corporation, acting herein by and through its duly authorized officers,

herein called "Owners" (whether one or more), being the owners of property fronting 120 feet on the EAST side of N.E. 28th Street in the City of Grand Prairie, Dallas County, Texas, and being more particularly described as follows:

Lots 101 and 102, Block 786, Burbank Gardens Addition to the City of Grand Prairie, Dallas County, Texas,

in consideration of the agreement of the City of Grand Prairie, a municipal corporation of Dallas County, Texas, to make certain improvements to said street on and abutting the above described property, to perform or cause to be performed, all of the labor in the erection and construction of same, to furnish all of the materials of whatsoever kind necessary to be used in the erection and construction of same, and to pay all expenses incident to the said labor and furnishing of materials, substantially as specified in the plans and specifications and for such improvements as approved by the City Commission of the City of Grand Prairie designated as City of Grand Prairie Project 'Anna' Phase III Paving and Drainage Improvements, and made a part thereof. Owners hereby agree to pay to the City of Grand Prairie, at Grand Prairie, Texas, the sum of TWO HUNDRED FORTY DOLLARS, according to the terms and provisions of that certain mechanic's lien note of even date herewith, executed by Owners, payable to the City of Grand Prairie, or Order, bearing interest on the unpaid balance of principal at the rate of seven percent (7%) per annum from the first day of the month following the expiration of thirty (30) days from completion and acceptance of such improvements by the City of Grand Prairie, being payable in five (5) installments of $ FORTY EIGHT DOLLARS each, the first installment being due and payable on the first day of the month following the expiration of thirty (30) days from completion and acceptance by the City of Grand Prairie of such improvements, and one installment to become due and payable on the same date of each succeeding year thereafter until the whole principal sum is paid, and containing other provisions, including interest on past due principal and interest, acceleration, expense of collection and attorney's fee in the event of default, all as more particularly set out in such note.

It is expressly agreed and understood that to secure the payment of said note, according to its face, tenor, and effect, the City of Grand Prairie retains and shall have a valid and existing mechanic's, materialman's, laborer's, and contractor's lien, equities, [illegible], and interest in and to the above described real estate and the improvements now upon, and to be placed upon said land, and it is agreed and understood that said note may be assigned, and the assignee or purchaser shall have and be subrogated to all rights, and equities of the City of Grand Prairie, to have and to hold the same, together with all the rights and appurtenances to the same belonging or in anywise incident or appertaining.

2-12-1970

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Owners hereby waive, in favor of said indebtedness all homestead exemptions and allowances, and all allowances in lieu of homestead, or for exempt articles, or forsupport, and all commissions which may accrue to either of them in any probate proceeding, if any, in which the said premises may be involved, and it is specifically acknowledged that this contract is executed prior to the purchase of any material or the performance of any labor for the subject improvements.

The note above described and the liens above referred to are collateral to and cumulative of the obligations and liens of the special assessment against the above described property and the Owners thereof which the City of Grand Prairie has levied or may hereafter levy in connection with such street project and the certificates in evidence thereof which have been, or may hereafter be issued by such City, and any payment upon one shall operate as a credit upon the other.

Executed this 19th day of February, A.D. 19 69.

ATTEST:

LAND - AIR, INC.

Ralph E. Smartt, Secretary

OWNERS

BY: Pat Rutherford, President

MAYOR, CITY OF GRAND PRAIRIE, TEXAS

ATTEST:

CITY SECRETARY

THE STATE OF TEXAS §

COUNTY OF DALLAS §

Before me, the undersigned, a Notary Public in and for said County and State, on this day personally appeared _____ and _____, his wife, both known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed, and the said _____ wife of the said _____, having been examined by me privily and apart from her husband, and having the same fully explained to her, she, the said _____ acknowledged such instrument to be her act and deed, and she declared that she had willingly signed the same for the purposesand consideration therein expressed, and that she did not wish to retract it.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this _____ day of _____, A.D., 1969.

NOTARY PUBLIC IN AND FOR DALLAS COUNTY, TEXAS

VOL. PAGE

70025 0177

DYNCORP 00713

THE STATE OF TEXAS)
)
COUNTY OF DALLAS)

BEFORE ME, the undersigned authority, a Notary Public in and for Dallas County, Texas, on this day personally appeared Pat Rutherford, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the said Land-Air, Inc., a Corporation, and that he executed the same as the act of said Land-Air, Inc., for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 19th day of February, A. D., 1969.

Notary Public in and for Dallas County, Texas

CORPORATION ACKNOWLEDGMENT

THE STATE OF TEXAS,)
)
COUNTY OF DALLAS)

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared C. P. WAGGONER, MAYOR, CITY OF GRAND PRAIRIE, TEXAS known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the said a corporation, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 19th day of February A. D. 19 69

(L. S.)

Notary Public in and for Dallas County, Texas.

514 The Odee Company, Publishers Dallas

DYNCORP 00714

FILED
Tom E. Tellis
COUNTY CLERK
DALLAS COUNTY

1970 FEB 12 AM 9 08

STATE OF TEXAS COUNTY OF DALLAS

I hereby certify that this instrument was filed on the date and time stamped hereon by me and was duly recorded in the volume and page of the named record of Dallas County, Texas as stamped hereon by me.

FEB 12 1970

Tom E. Tellis
COUNTY CLERK, Dallas County, Texas

CITY OF GRAND PRAIRIE

221261 WD—LS 2.50

DISTRIBUTION EASEMENT AND RIGHT-OF-WAY

NOV 10 1971

THE STATE OF TEXAS
COUNTY OF DALLAS

KNOW ALL MEN BY THESE PRESENTS:

DEED RECORD

That Land Air Corporation

(herein referred to in the singular, whether one or more) of Dallas County, Texas, for and in consideration of One and no/100 Dollars ($1.00) to me in hand paid by Texas Electric Service Company have granted, sold and conveyed and by these presents do grant, sell and convey unto the said Company, an easement of right-of-way for an electric distribution line, consisting of variable numbers of wires, and all necessary or desirable appurtenances (including poles made of wood, metal or other materials, telephone and telegraph wire, props, guys and anchorages), at or near the location and along the general course now located and staked out by said Company, along, over, under, across and upon the following described lands located in Dallas County, Texas, to wit:

Lot 101, Burbank Gardens Addition to the City of Grand Prairie, Dallas County, Texas, which property is more particularly described in Volume 5, Page 109, Plat Records, Dallas County, Texas, to which reference is hereby made.

An easement for an electric distribution line, the centerline of which begins at a point 5 feet South of the North property line 142.5 feet East of the West property line of the above described tract of land;

THENCE from said point in an easterly direction 5 feet South and parallel to the North property line a distance of 57.5 feet.

And also an aerial easement only for an electric distribution line, the centerline of which begins at a point in the West property line 5 feet South of the Northwest property corner of the above described property.

THENCE from said point in an easterly direction 5 feet South and parallel to the North property line a distance of 142.5 feet.

Said easement to be 10 feet in width. This easement shall not apply to any structure that is below 25 feet above ground level.

Approved As To Form

CANTEY, HANGER, GOOCH, CRAVENS & MUNN

By F6Y

Grantor recognizes that the general course of said line, as above described, is based upon preliminary surveys only, and hereby agrees that the easement hereby granted shall apply to the actual location of said line when constructed.

Together with the right of ingress and egress over my adjacent lands to or from said right of way for the purpose of inspecting, maintaining, constructing and removing said line and appurtenances; the right to relocate along the same general direction of said lines; the right to relocate said line in the same relative position to any adjacent road if and as such road is widened in the future; the right to lease pole space for the purpose of permitting others to string wire or other desirable appurtenances on said line; the right to prevent the construction of, for a distance of 5 feet on each side of the actual center of said line, any or all buildings, structures or other obstructions which, in the sole judgment of the Company, may endanger or interfere with the efficiency, safety, and/or convenient operation of said line and its appurtenances; and the right to trim or cut down trees or shubbery within, but not limited to, said 10-foot space, to the extent, in the sole judgment of the Company, as may be necessary to prevent possible interference with the operation of said line or to remove possible hazard thereto.

TO HAVE AND TO HOLD the above described easement and rights unto the said Company, its successors and assigns, until said line shall be abandoned.

And I do hereby bind myself, my heirs and legal representatives, to warrant and forever defend all and singular the above described easement and rights unto the said Company, its successors and assigns, against every person whomsoever lawfully claiming or to claim the same or any part thereof.

WITNESS My hand this 30th day of September, 1971

Company Agent or Employee Securing Easement:

C E Nelson

71220 0854

[illegible]

[illegible]

[illegible]

71220/854

11·10·1971

DYNCORP 00716

TESCO FILE NUMBER E- 47229

EP NUMBER 278

280J556

THE STATE OF TEXAS

Dallas County

DISTRIBUTION EASEMENT AND RIGHT-OF-WAY

FROM

Land Air Corporation

TO

TEXAS ELECTRIC SERVICE COMPANY

THE STATE OF TEXAS }
County }

I, County Clerk in and for said County, hereby certify that the within conveyance was filed in my office for record on the day of 19 at o'clock M, and duly recorded by me on the day of 19 in Book Records of Deeds of said County, at page

Given under my hand and seal of office the day and year last above written.

County Clerk County, Texas

By Deputy.

TESCO 731-500 REV. 7-70

R. S. BEARD
POST OFFICE BOX 970
FORT WORTH, TEXAS 76.01

THE STATE OF TEXAS

COUNTY OF

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared

known to me to be the person whose name subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the day of A. D. 19

Notary Public in and for

STATE OF TEXAS
I hereby certify that this instrument was filed on the date and time stamped hereon by me and was duly recorded in the volume and page of the named records of Dallas County, Texas as stamped hereon by me.

COUNTY OF DALLAS

NOV 10 1971

COUNTY CLERK, Dallas County, Texas

THE STATE OF TEXAS

COUNTY OF

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared

known to me to be the person whose name subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the day of A. D. 19

Notary Public in and for County, Texas

THE STATE OF TEXAS

COUNTY OF Dallas

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared R. E. JENNINGS, PRESIDENT, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the said LAND AIR CORPORATION a corporation, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 30th day of September A. D. 19 71

Susan Nelson
Notary Public in and for Dallas County, Texas.

71220 855

DYNCORP 00717

1.50

106—RELEASE OF LIEN (BY CORPORATION) TEXAS STANDARD FORM

DEED RECORD

The State of Texas, } Know All Men by These Presents:
County of }

That in consideration of the payment in full according to the face and tenor thereof, of one certain promissory note dated September 5, 1968, in the original sum of $5,500.00, payable to IRVING SAVINGS and LOAN ASSOCIATION.

described in a certain Deed of Trust

executed by Jimmy Leroy Gullett et ux Reba Lucille Gullett

to Granvel Smith

dated the 5th day of September, 1968, and recorded in Vol. 68177 on page 0936 of the records of Deeds of Trust of Dallas County, Texas,

NOW, THEREFORE, IRVING SAVINGS ASSOCIATION

a Corporation, duly organized and existing under the Laws of the State of Texas

the owner and holder of said note, does hereby release the deed of trust and all other liens shown by said instrument to exist upon the following described property, to secure payment of said note, viz.:

BEING LOT 99, of BURBANK GARDENS ADDITION, an Addition to the City of Grand Prairie, Texas, according to the plat recorded in Volume 5, at Page 109, of the Map Records of Dallas County, Texas; and being the same property conveyed to Grantors herein by Deed of even date herewith, executed by A. C. Singleton and wife, Ertha Mae Singleton, and in which conveyance a vendor's lien is retained securing payment of the herein described and hereby secured note;

IN WITNESS WHEREOF, the said Corporation has caused these presents to be signed by its duly authorized officers and to be sealed with the Seal of the Corporation, at Irving, Texas

this 5th day of January, A. D. 1972

Attest: Marbita May Secretary.

(Seal)

IRVING SAVINGS ASSOCIATION

By Jerry Kirby Vice President.
Jerry Kirby

CORPORATION ACKNOWLEDGMENT

VOL PAGE
74046 1339

THE STATE OF TEXAS,

COUNTY OF DALLAS

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared Jerry Kirby, Vice President known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the said

IRVING SAVINGS ASSOCIATION

a corporation, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 5TH day of January, A. D. 19 72

NOTARY PUBLIC IN & FOR DALLAS COUNTY, TEXAS (L. S.)

Notary Public in and for Dallas County, Texas

DYNCORP 00718

G.F. 331179

196

Release of Lien

(BY CORPORATION)

FROM

IRVING SAVINGS ASSOCIATION

TO

JIMMY LEROY GULLETT ET UX

FILED FOR RECORD

This.....day of.....A. D. 19.....

at.....o'clock.....M.

.....
County Clerk.

By.....
Deputy.

RECORDED

.....A. D. 19.....

In.....County Records

In Book....., on Page.....

.....
County Clerk.

By.....
Deputy.

Recording Fee $.....

This instrument should be filed immediately with the County Clerk for record.

BURNS PARUM
ATTORNEY AT LAW
738 Dalworth Street
P. O. Box 763
Grand Prairie, Texas 75050

Teledge Company, Publishers, Dallas

FILED
Tom E. Ellis
COUNTY CLERK
DALLAS COUNTY

'74 MAR 5 AM 11:43

STATE OF TEXAS
COUNTY OF DALLAS
I hereby certify that this instrument was filed on the date and time stamped hereon by me and was duly recorded in the volume and page of the named records of Dallas County, Texas as stamped hereon by me.

MAR 6 1974

Tom E. Ellis
COUNTY CLERK, Dallas County, Texas

MAR-6-74 37508 WD—LS 1.50

VOL PAGE 1

74046 1340

ACS/TRC DALLAS Doc: 000037508 Date: 03/05/1974 Vol: 0074046 Page: 01339 Page: 2 Of 2

25

181—WARRANTY DEED (WITH VENDOR'S LIEN) TEXAS STANDARD FORM

DEED RECORD

The State of Texas, | Know All Men by These Presents:

County of DALLAS

That we, JIMMY LEROY GULLETT and wife, REBA LUCILLE GULLETT,

of the County of Dallas State of Texas for and in consideration

of the sum of TEN AND NO/100 ($10.00)----------

----------DOLLARS

and other good and valuable consideration,
to us paid, and secured to be paid, by GUS BOWMAN

the receipt of which is hereby acknowledged and confessed, as follows:

AND THE ADDITIONAL CONSIDERATION of the EXECUTION and DELIVERY by said Grantee of one first vendor's lien note of even date herewith, for the principal sum of $25,000.00, payable to the order of DALLAS INTERNATIONAL BANK OF Dallas, Texas, it having advanced that sum to the Grantee herein at his special instance and request as part of the purchase money for the property herein conveyed, that it shall be and is hereby expressely subrogated to all the rights, titles, liens and equities secured by payment of said note as though it were the Grantor herein; said note being payable on or before one (1) year from date, bearing interest at the rate of nine (9) per cent per annum, said interest being payable quarterly, the first such quarterly payment to become due and payable on or before the first day of June, 1974; it being understood by and between the parties hereto that the abovenamed $25,000.00 advanced by the said DALLAS INTERNATIONAL BANK represents part of the purchase money for other properties purchased this date by Grantee herein; said note being secured, in addition to the hereinafter retained vendor's lien, by Deed of Trust of even date herewith from the Grantee herein to JIM WATSON, Trustee, conveying the herein described property along with the other property purchased by Grantee herein this date;

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DYNCORP 00720

have Granted, Sold and Conveyed, and by these presents do Grant, Sell and Convey, unto the said

GUS BOWMAN

of the County of Dallas State of Texas all that certain lot, tract or parcel of land lying and being situated in the County of Dallas, State of Texas, to-wit:

BEING LOT 99, of BURBANK GARDENS ADDITION, an Addition to the City of Grand Prairie, Dallas County, Texas, according to the Map thereof, recorded in Volume 5, Page 109, Map Records, Dallas County, Texas.

TO HAVE AND TO HOLD the above described premises, together with all and singular the rights and appurtenances thereto in anywise belonging unto the said

GUS BOWMAN, his

heirs and assigns forever and we do hereby bind ourselves, our heirs, executors and administrators, to Warrant and Forever Defend, all and singular the said premises unto the said GUS BOWMAN, his

heirs and assigns, against every person whomsoever lawfully claiming, or to claim the same, or any part thereof.

But it is expressly agreed and stipulated that the Vendor's Lien is retained against the above described property, premises and improvements, until the above described note , and all interest thereon are fully paid according to its face and tenor, effect and reading, when this deed shall become absolute.

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74046 1275

WITNESS our hands at Grand Prairie, Texas, this 28th day of February 19 74

Witness at request of Grantor:

.....

.....

Jimmy Leroy Gullett

(Jimmy Leroy Gullett)

Reba Lucille Gullett

(Reba Lucille Gullett)

DYNCORP 00721

SINGLE ACKNOWLEDGMENT

THE STATE OF TEXAS,
COUNTY OF DALLAS

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared Jimmy Leroy Gullett and Reba Lucille Gullett known to me to be the person s whose name s are subscribed to the foregoing instrument, and acknowledged to me that t he y executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE,
this the 28th day of February A. D. 19 74

(L. S.)

Burns Parum

Notary Public in and for Dallas County, Texas

SINGLE ACKNOWLEDGMENT

THE STATE OF TEXAS,
COUNTY OF

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared known to me to be the person whose name subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE,
this the day of A. D. 19

(L. S.)

Notary Public in and for County, Texas

SINGLE ACKNOWLEDGMENT

THE STATE OF TEXAS,
COUNTY OF

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared known to me to be the person whose name subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE,
this the day of A. D. 19

(L. S.)

Notary Public in and for County, Texas

FILED
Tom E. Ellis
COUNTY CLERK
DALLAS COUNTY
'74 MAR 5 AM 11:42

THE STATE OF TEXAS,
COUNTY OF

I HEREBY CERTIFY that the foregoing instrument of writing with its certificate of authentication, was filed for record in my office on the day of , A. D. 19 at o'clock M., and was duly recorded by me on the day of A. D. 19 in Vol. , page , of the Records of said County.

WITNESS MY HAND and the Seal of the County Court of said County, at my office in the day and year last above written.

STATE OF TEXAS COUNTY OF DALLAS
I hereby certify that this instrument was filed on the date and time stamped hereon by me and was duly recorded in the volume and page of the named records of Dallas County, Texas as stamped hereon by me.

(L. S.)

County Clerk County, Texas

By VOL PAGE Deputy.

MAR 6 1974

74046 1276

Tom E. Ellis
COUNTY CLERK, Dallas County, Texas

151

Warranty Deed
(WITH VENDOR'S LIEN)

FROM
JIMMY LEROY GULLETT et ux REBA

TO
GUS BOWMAN

FILED FOR RECORD
This day of , A.D. 19
at o'clock M.
County Clerk
By Deputy

RECORDED
A. D. 19
In County Records
In Book on Page
County Clerk
By Deputy

Recording Fee $

This instrument should be filed immediately with the County Clerk for Record.

BURNS PARUM
ATTORNEY AT LAW
738 Dalworth Street
The Oden Corporation, Dallas
Grand Prairie, Texas 75050

MAR-6-74 3 7 4 8 1 VD—LS 2.50

DEED RECORD

The State of Texas, } Know All Men by These Presents:

County of DALLAS

That we, BIRL H. COUGHRAN and wife, GLADYS COUGHRAN,

of the County of Dallas State of Texas for and in consideration

of the sum of TEN AND NO/100 ($10.00)----------

----------DOLLARS

and other good and valuable consideration,
to us paid, and secured to be paid, by GUS BOWMAN,

the receipt of which is hereby acknowledged and confessed, as follows:

AND THE ADDITIONAL CONSIDERATION of the EXECUTION and DELIVERY by said Grantee of one first vendor's lien note of even date herewith, for the principal sum of $25,000.00, payable to the order of DALLAS INTERNATIONAL BANK of Dallas, Texas, it having advanced that sum to the Grantee herein at his special instance and request as part of the purchase money for the property herein conveyed, that it shall be and is hereby expressely subrogated to all the rights, titles, liens and equities secured by payment of said note as though it were the Grantor herein; said note being payable on or before one (1) year from date, bearing interest at the rate of nine (9) per cent per annum, said interest being payable quarterly, the first such quarterly payment to become due and payable on or before the first day of June, 1974; it being understood by and betwee the parties hereto that the above named $25,000.00 advanced by the said DALLAS INTERNATIONAL BANK represents part of the purchase money for other properties purchased this date by Grantee herein; said note being secured, in addition to the hereinafter retained vendor's lien, by Deed of Trust of even date herewith from the Grantee herein to JIM WATSON, Trustee, conveying the herein described property along with the other property purchased by Grantee herein this date;

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74046 1255

DYNCORP 00723

his

have Granted, Sold and Conveyed, and by these presents do Grant, Sell and Convey, unto the said

GUS BOWMAN

of the County of Dallas State of Texas all that certain lot, tract or parcel of land lying and being situated in the County of Dallas, State of Texas, to-wit:

BEING LOT 100, of BURBANK GARDENS ADDITION, an Addition to the City of Grand Prairie, Dallas County, Texas, according to the Map thereof, recorded in Volume 5, Page 109, Map Records, Dallas County, Texas.

TO HAVE AND TO HOLD the above described premises, together with all and singular the rights and appurtenances thereto in anywise belonging unto the said

GUS BOWMAN, his

heirs and assigns forever and we do hereby bind ourselves, our heirs, executors and administrators, to Warrant and Forever Defend, all and singular the said premises unto the said GUS BOWMAN, his

heirs and assigns, against every person whomsoever lawfully claiming, or to claim the same, or any part thereof.

But it is expressly agreed and stipulated that the Vendor's Lien is retained against the above described property, premises and improvements, until the above described note , and all interest thereon are fully paid according to its face and tenor, effect and reading, when this deed shall become absolute.

WITNESS our hands at Grand Prairie, Texas, this 28th day of February 19 74.

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Witness at request of Grantor:

Birl H Coughran
(Birl H. Coughran)

Gladys Coughran
(Gladys Coughran)

ACS/TRC DALLAS Doc: 000037476 Date: 03/05/1974 Vol: 0074046 Page: 01255 Page: 2 Of 3

DYNCORP 00724

SINGLE ACKNOWLEDGMENT

THE STATE OF TEXAS,
COUNTY OF DALLAS

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared Birl H. Coughran and Gladys Coughran known to me to be the person s whose name s are subscribed to the foregoing instrument, and acknowledged to me that he y executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE,
this the 28th day of February A. D. 19 74

(L. S.)

Burns Parum

Notary Public in and for Dallas County, Texas

SINGLE ACKNOWLEDGMENT

THE STATE OF TEXAS,
COUNTY OF

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared

known to me to be the person whose name subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE,
this the day of A. D. 19

(L. S.)

Notary Public in and for County, Texas

SINGLE ACKNOWLEDGMENT

THE STATE OF TEXAS,
COUNTY OF

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared

known to me to be the person whose name subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE,
this the day of A. D. 19

STATE OF TEXAS COUNTY OF DALLAS
I hereby certify that this instrument was filed on the date and time stamped hereon by me and was duly recorded in the volume and page of the named records of Dallas County, Texas as stamped hereon by me.

(L. S.)

MAR 6 1974

Notary Public in and for County, Texas

FILED
Tom E. Ellis
COUNTY CLERK
DALLAS COUNTY
MAR 11 42

THE STATE OF TEXAS,
COUNTY OF

Tom E. Ellis
COUNTY CLERK, Dallas County, Texas

I HEREBY CERTIFY that the foregoing instrument of writing with its certificate of authentication, was filed for record in my office on the day of , A. D. 19 at o'clock M., and was duly recorded by me on the day of A. D. 19 in Vol. , page , of the Records of said County.

WITNESS MY HAND and the Seal of the County Court of said County, at my office in the day and year last above written.

(L. S.)

County Clerk County, Texas

By VOL. PAGE Deputy.

74046 1257

181

Warranty Deed
(WITH VENDOR'S LIEN)

FROM
BIRL H. COUGHRAN et ux GLADYS

TO
GUS BOWMAN

FILED FOR RECORD
This day of A.D. 19
at o'clock M.
County Clerk
By Deputy

RECORDED
A. D. 19
In County Records
In Book on Page
County Clerk
By Deputy

Recording Fee $

This instrument should be filed immediately with the County Clerk for Record.

BURNS PARUM
ATTORNEY AT LAW
~~730 Dalworth Street~~
The Odor Company, Publishers, Dallas
P. O. Box 763
Grand Prairie, Texas 75050

3.50

VO—LS 3 7 4 7 6 MAR-6-74

125

DEED OF TRUST

DEED OF TRUST

The State of Texas,
COUNTY OF D A L L A S

Know All Men by These Presents:

THAT THE UNDERSIGNED, GUS BOWMAN, not joined herein by my wife, as the property herein conveyed constitutes no part of our homestead,

of the County of Dallas, and State of Texas, in consideration of the debt and trust hereinafter mentioned, have Granted, Bargained, Sold and Conveyed, and by these presents do Grant, Bargain, Sell and Convey unto JIM WATSON, Trustee, and to his successors or substitute in this trust, and to his and their assigns hereunder forever, the following described property, situated in the County of Dallas and State of Texas, to-wit:

TRACT I:

BEING LOT 99, of BURBANK GARDENS ADDITION, an Addition to the City of Grand Prairie, Dallas County, Texas, according to the Map thereof, recorded in Volume 5, Page 109, Map Records, Dallas County, Texas;

TRACT II:

BEING LOT 100, of BURBANK GARDENS ADDITION, an Addition to the City of Grand Prairie, Dallas County, Texas, according to the Map thereof, recorded in Volume 5, Page 109, Map Records, Dallas County, Texas.

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ACS/TRC DALLAS Doc: 000037464 Date: 03/05/1974 Vol: 0074046 Page: 01199 Page: 1 Of 4

DYNCORP 00726

TO HAVE AND TO HOLD the said described property, with all rights, members, hereditaments and appurtenances, now or hereafter, at any time before the foreclosure hereof, in any wise appertaining or belonging thereto, unto the said Trustee, and to his successor or substitute hereunder, and to his and their assigns forever. And the undersigned hereby binds himself, herself, his, her or their heirs, executors and administrators, to warrant and forever defend all and singular the said premises, unto the said Trustee, his successor or substitute in this trust, and to his or their assigns forever, against the lawful claim or claims of all persons whomsoever.

THIS CONVEYANCE is made in trust, however, to secure and enforce the payment of one certain promissory note of even date herewith (hereinafter referred to as note), executed by the undersigned, payable to DALLAS INTERNATIONAL BANK in Dallas, Texas, or order at Dallas, Texas, as follows:

BEING in the principal sum of $25,000.00, payable on or before one (1) year from date, bearing interest at the rate of nine (9) per cent per annum, and said interest being payable quarterly, the first quarterly payment to become due and payable on or before the first day of June, 1974; said note being secured by vendor's lien retained in Deed of even date herewith from Birl H. Coughran and wife, Gladys Coughran to Grantor herein conveying Lot 100 of Burbank Gardens Addition, herein conveyed, and Jimmy Leroy Gullett and wife, Reba Lucille Gullett, conveying Lot 99 of Burbank Gardens Addition to Grantor herein;

all past due interest and principal shall bear interest at the rate of ten per cent per annum. It is agreed that if default be made in the payment of any principal or interest on said note, or in the performance of the covenants or agreements herein contained, or any of them, then at the option of the legal holder of said note, the whole of the principal debt herein secured, together with any accrued interest hereon, shall become due and payable, and may be collected by suit or by proceeding hereunder; and it is further agreed that if said indebtedness is not paid when due, and is placed in the hands of an attorney for collection, or if collected through the Probate Court, ten per cent additional on full amount due shall be added as attorney's fees.

NOW, THEREFORE, if the said indebtedness be paid, principal and interest, as the same becomes due and payable, and if the covenants and agreements herein contained be kept and performed, then and in that case only, this conveyance shall become null and void, and the property herein conveyed shall become wholly clear, and these presents released in due form at the Grantors' cost, otherwise to remain in full force and effect; but if default shall be made in the payment of this note, or any installment of interest thereon, when the same shall become due, or in case of the breach of any of the agreements or covenants herein mentioned, then at the request of the legal holder of said note, or any holder of any portion of the indebtedness secured hereby, the said Trustee, or his successor or successors appointed hereunder is hereby authorized and empowered to sell the land hereby conveyed, at public auction, to the highest bidder, for cash, at the Court House door of Dallas County, Texas, between the hours of ten o'clock a.m. and four o'clock p.m., on the first Tuesday in any month, after having given notice of the time, place and manner of sale by posting written notices thereof at three public places in said county, one of which shall be at the Court House Door of said county, for three consecutive weeks prior to the day of sale; and it is hereby agreed that the said Trustee, or his successor, may sell said property, together in lots or parcels, as to him shall seem expedient; and after said sale as aforesaid, shall execute and deliver to the purchaser or purchasers thereof, good and sufficient deeds in law to the property so sold, in fee simple, with the usual warranties, and shall receive the proceeds of said sale, and out of the same shall pay: First, all charges, cost and expenses of executing this trust, including a reasonable fee to the Trustee; Second, the note above described and all sums of money due or to become due hereunder, with interest as agreed; and Third, shall render the overplus, if any, unto the undersigned herein, or legal representatives or assigns; and any such sale shall not be held to exhaust the power of sale granted hereunder but such power of sale shall survive, and subsequent sales may be had in like manner so long as any of the indebtedness secured hereby remains unpaid.

WE FURTHER COVENANT to have the improvements on the property hereby conveyed insured against loss or damage by fire, explosion and storm in some good and solvent insurance company or companies authorized to do business in Texas and approved by the holder or holders of the indebtedness in the amount of their full insurable value or such lesser amount as may be satisfactory to the holder or holders of said indebtedness, such insurance to be payable, in the event of loss or damage, by the terms of the policy, to the holders of said indebtedness as their interest may appear, and to deliver the policy or policies, and all renewals thereof, as soon as written, to such holders, and to pay, before the same shall become delinquent, all taxes, and assessments which may be levied or assessed against said premises or any part thereof, and to pay all principal and interest payments when due on all indebtedness against the above described property, secured by superior or prior liens to those securing the note above described and hereby secured; and we agree to continue said insurance in force until all of the indebtedness hereby secured has been paid in full. And it is especially agreed that if the undersigned shall fail to effect said insurance and deliver such policies, as herein provided, or to pay such taxes, assessments or payments on such prior indebtedness the holder of the note hereby secured may at his option declare the note hereby secured due and payable, or the said insurance may be effected, and the said taxes, assessments, or payments on such prior indebtedness may be paid by the legal holder of the note secured hereby, and the sum so expended shall be a demand obligation and become a part of the debt hereby secured, and shall draw interest at the rate of eight per cent per annum from the date so extended until paid.

THE GRANTORS FURTHER AGREE to pay all taxes that shall be chargeable to or assessed against this mortgage and the note or notes hereby secured, which tax payments on this mortgage and the note or notes hereby secured together with the interest payments, are not to exceed ten per cent per annum on the principal amount of the indebtedness hereby secured.

THE HOLDER OR HOLDERS of the indebtedness hereby secured, as further security thereof, shall, in event of default hereunder, have the right to take possession of said premises, and shall have the right to receive and collect the rents thereafter accruing on the property hereby conveyed and apply the same as a credit on any indebtedness secured hereby.

IN THE EVENT of foreclosure under the power herein granted, the Grantors, their heirs, successors or assigns, or any person in possession of said premises, shall thereupon become the tenant at will of the purchaser at such foreclosure sale, and should such tenant refuse to surrender possession of said premises upon demand, the purchaser shall thereupon be entitled to institute and maintain the statutory action for forcible detainer and procure a writ of possession thereunder.

IT IS FURTHER AGREED that in case of the death, resignation, removal or absence of said Trustee from the County of Dallas, Texas, or his refusal or failure or inability to act, or in the event the holder of the indebtedness secured hereby or any part thereof should for any reason desire to appoint a new Trustee in the place of the Trustee herein named or in the place of any substitute Trustee that may have been theretofore appointed, such holder shall be and hereby is authorized to appoint a substitute in writing, who shall thereupon succeed to all of the estate, rights, powers and trusts granted to the Trustee herein named. If the holder of said note is a corporation then its President or any Vice President thereof may, without further formality, appoint a substitute in writing who shall succeed to all powers of the original Trustee.

IT IS SPECIALLY AGREED that in case of any sale hereunder, all prerequisites to said sale shall be presumed to have been performed, and that in any conveyance given hereunder all statements of facts, or other recitals therein made, as to the non-payment of money secured, or as to the breach or non-performance of any of the covenants herein set forth, or as to the request of the Trustee, to enforce this Trust, or as to the proper and due appointment of any substitute Trustee, or as to the advertisement of sale, or time or place or manner of sale, or as to any other preliminary act or thing, shall be taken in all courts of law or equity as prima facie evidence that the facts so stated or recited are true.

IN NO EVENT shall a greater rate than ten per centum per annum be charged or collected for the use of the money hereby secured, and shall a greater amount be collected, it shall be construed as a mutual mistake of the parties and returned to maker.

WITNESS my hand this 28th day of February A. D. 19 74.

Gus Bowman

(Gus Bowman)

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DYNCORP 00727

THE STATE OF TEXAS }
County of DALLAS }

BEFORE ME, the undersigned authority, a Notary Public in and for Dallas County, Texas, on this day personally appeared Gus Bowman known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, This 28th day of February A. D. 1974

(L. S.)

Notary Public Dallas County, Texas.

THE STATE OF TEXAS, }
County of }

BEFORE ME, the undersigned authority, a Notary Public in and for County, Texas, on this day personally appeared

and

his wife, both known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they each executed the same for the purposes and consideration therein expressed; and the said

, wife of the said ,

having been examined by me privily and apart from her husband and having the same fully explained to her, she, the said , acknowledged such instrument to be her act and deed, and she declared that she had willingly signed the same for the purposes and consideration therein expressed, and that she did not wish to retract it.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, This day of A. D. 19 .

(L. S.)

Notary Public County, Texas.

THE STATE OF TEXAS, }
County of }

BEFORE ME, the undersigned authority, a Notary Public in and for County, Texas, on this day personally appeared

, wife of ,

known to me to be the person whose name is subscribed to the foregoing instrument, and, having been examined by me privily and apart from her husband, and having the same fully explained to her, she, the said acknowledged such instrument to be her act and deed, and declared that she had willingly signed the same for the purposes and consideration therein expressed, and that she did not wish to retract it.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, This day of A. D. 19 .

(L. S.)

Notary Public County, Texas.

THE STATE OF TEXAS, }
County of }

BEFORE ME, the undersigned authority, a Notary Public in and for County, Texas, on this day personally appeared known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

Also before me on this day personally appeared

wife of , known to me to be the person whose name is subscribed to the foregoing instrument, and, having been examined by me privily and apart from her husband, and having the same fully explained to her, she, the said ,

acknowledged such instrument to be her act and deed, and declared that she had willingly signed the same for the purposes and consideration therein expressed, and that she did not wish to retract it.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, This day of A. D. 19 .

(L. S.)

Notary Public County, Texas.

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74046 1201

DYNCORP 00728

CORPORATION ACKNOWLEDGMENT

THE STATE OF TEXAS,
COUNTY OF.....

BEFORE ME, the undersigned, a Notary Public, ..., in and for said County, Texas, on this day personally appeared....., known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the said..... a corporation, and that he executed the same as the act of such corporation for the purpose and consideration therein expressed in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, This.....day of.....,

A. D. 19.....

(L.S.)

.....
Notary Public County, Texas

Tom E. Ellis
COUNTY CLERK
DALLAS COUNTY

'74 MAR 5 AM 11:41

STATE OF TEXAS COUNTY OF DALLAS
I hereby certify that this instrument was filed on the date and time stamped hereon by me and was duly recorded in the volume and page of the named records of Dallas County, Texas as stamped hereon by me.

MAR 6 1974

Tom E. Ellis
COUNTY CLERK, Dallas County, Texas

DEED OF TRUST

GUS BOWMAN
TO
Jim Watson
Trustee.
DALLAS INTERNATIONAL BANK
Beneficiary.

Filed for Record this.....day of.....A. D. 19.....,
at.....o'clock.....M.
.....Clerk, Dallas County, Texas.
By.....Deputy.

Return to Beneficiary
Address 1226 Commerce St.
Dallas, Texas 75202

THE STATE OF TEXAS,
County of Dallas,
ss.

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'74046 1202

I hereby certify that the foregoing instrument, with its certificate of authentication, was filed in my office, for record on the.....day of.....A. D. 19....., at..... o'clock.....M., and was duly recorded by me on the.....day of..... A. D. 19....., in Vol....., on page....., of the Records of Mortgages and Deeds of Trust for said County.

.....
County Clerk, Dallas County, Texas.

By....., Deputy.

MAR-6-74 37464 01—LS 7.25

DEED RECORD

The State of Texas,
County of DALLAS

Know All Men by These Presents:

That , I, GUS BOWMAN, not joined herein by my wife as the property herein conveyed constitutes no part of our homestead,

of the County of Dallas State of Texas for and in consideration of the sum of TEN AND NO/100 ($10.00)---------- ---------- DOLLARS and other good and valuable consideration, to me paid, and secured to be paid, by LAND-AIR, INC., the receipt of which is hereby acknowledged and confessed, as follows:

AND THE ADDITIONAL CONSIDERATION of the ASSUMPTION and AGREEMENT to pay by the Grantee herein, the unpaid balance owing on that one certain promissory note in the original principal sum of $25,000.00, bearing interest at the rate of 9% per annum, executed by Grantor herein, payable to DALLAS INTERNATIONAL BANK of Dallas, Texas, dated February 28, 1974, and being payable on or before one year from date with said interest being payable quaterly and the first payment to become due and payable on or before the 1st day of June, 1974; said note being secured by vendor's lien retained in Deeds from Jimmy Leroy Gullett et ux, Reba Lucille Gullett and Birl H. Coughran et ux, Gladys Coughran, dated February 28, 1974, and being additionaly secured by Deed of Trust of even date therewith to Jim Watson, Trustee, conveying the hereinafter describe property, said deeds and deed of trust being of record in the Deed Records and Deed of Trust Records of Dallas County, Texas, to which instruments reference is here made for all the terms, conditions and stipulations therein contained;

AND THE ADDITIONAL CONSIDERATION of the EXECUTION and DELIVERY by the Grantee herein its one certain promissory note in the amount of $7,321.71, bearing interest at the rate of 9% per annum, being payable on or before six (6) months from date, payable to Grantor herein; said note being secured by vendor's lien hereinafter retained and Deed of Trust of even date herewith to Burns Parum, Trustee; said note being second and inferior to the above described note in the amount of $25,000.00, payable to the Dallas International Bank of Dallas, Texas;

have Granted, Sold and Conveyed, and by these presents do Grant, Sell and Convey, unto the said

LAND-AIR, INC.

of the County of Dallas State of Texas all that certain lot, tract or parcel of land lying and being situated in the County of Dallas, State of Texas, to-wit:

BEING LOTS 99 and 100 of BURBANK GARDENS ADDITION, an Addition to the City of Grand Prairie, Dallas County, Texas, according to the Map thereof, recorded in Volume 5, Page 109, Map Records, Dallas County, Texas.

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DYNCORP 00730

TO HAVE AND TO HOLD the above described premises, together with all and singular the rights and appurtenances thereto in anywise belonging unto the said LAND-AIR, INC., its successors

~~heirs~~ and assigns forever and I do hereby bind myself, my heirs, executors and administrators, to Warrant and Forever Defend, all and singular the said premises unto the said LAND-AIR, INC., its successors

~~heirs~~ and assigns, against every person whomsoever lawfully claiming, or to claim the same, or any part thereof.

But it is expressly agreed and stipulated that the Vendor's Lien is retained against the above described property, premises and improvements, until the above described note , and all interest thereon are fully paid according to its face and tenor, effect and reading, when this deed shall become absolute.

WITNESS my hand at Grand Prairie, Texas,

this 28th day of February 1974

Gus Bowman
(Gus Bowman)

Witness at request of Grantor:

74133 2420

DYNCORP 00731

SINGLE ACKNOWLEDGMENT

THE STATE OF TEXAS, }
COUNTY OF DALLAS }

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared GUS BOWMAN known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE,
this the 28th day of June A. D. 19 74

(L. S.)

Notary Public in and for Dallas County, Texas

SINGLE ACKNOWLEDGMENT

THE STATE OF TEXAS, }
COUNTY OF }

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared

known to me to be the person whose name subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE,
this the day of A. D. 19

(L. S.)

Notary Public in and for County, Texas

CORPORATION ACKNOWLEDGMENT

THE STATE OF TEXAS, }
COUNTY OF }

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared , known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the said a corporation, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE,
this the day of A. D. 19

(L. S.)

Notary Public in and for County, Texas

THE STATE OF TEXAS, }
COUNTY OF }

I HEREBY CERTIFY that the foregoing instrument of writing with its certificate of authentication, was filed for record in my office on the day of , A. D. 19 at o'clock M., and was duly recorded by me on the day of A. D. 19 in Vol. , page , of the Records of said County.

WITNESS MY HAND and the Seal of the County Court of said County, at my office in the day and year last above written.

(L. S.) County Clerk County, Texas

By , Deputy.

74133 2421

DYNCORP 00732

JUL-10-74 1 1 6 2 7 8 WD — LS 3.50

1974 JUL 10 AM 8 48

COUNTY CLERK
DALLAS COUNTY

STATE OF TEXAS COUNTY OF DALLAS
I hereby certify that this instrument was filed on the date and time stamped hereon by me and was duly recorded in the volume and page of the named records of Dallas County, Texas as stamped hereon by me.

JUL 10 1974

Tom E. Ellis
COUNTY CLERK, Dallas County, Texas

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150

Warranty Deed

(WITH VENDOR'S LIEN)

FROM

GUS BOWMAN

TO

LAND-AIR, INC.

FILED FOR RECORD

This ..... day of ....., A. D. 19.....

at ..... o'clock ..... M.

..... County Clerk

By ..... Deputy

RECORDED

..... A. D. 19.....

In ..... County Records

In Book ....., on Page .....

..... County Clerk

By ..... Deputy

Recording Fee $.....

This instrument should be filed immediately with the County Clerk for Record.

~~LAND-AIR, INC.~~ Burns Parum
~~3600 Randol Mill~~ Box 763
~~Arlington, Texas 76011~~
Grand Prairie, Texas 75050

THE ODES COMPANY, PUBLISHERS, DALLAS

ACS/TRC DALLAS Doc: 000116278 Date: 07/10/1974 Vol: 0074133 Page: 02419 Page: 4 Of 4

DEED OF TRUST

The State of Texas,
COUNTY OF DALLAS

Know All Men by These Presents:

THAT THE UNDERSIGNED, LAND-AIR, INC., a Texas corporation, acting herein by and through its duly authorized officer,

of the County of Dallas, and State of Texas, in consideration of the debt and trust hereinafter mentioned, have Granted, Bargained, Sold and Conveyed, and by these presents do Grant, Bargain, Sell and Convey unto Burns Parum, Trustee, and to his successors or substitute in this trust, and to his and their assigns hereunder forever, the following described property, situated in the County of Dallas and State of Texas, to-wit:

BEING LOTS 99 and 100, of BURBANK GARDENS ADDITION, an Addition to the City of Grand Prairie, Dallas County, Texas, according to the Map thereof, recorded in Volume 5, Page 109, Map Records, Dallas County, Texas.

(The hereinafter described note in the amount of $7,321.71 is second and inferior to that one certain promissory note of even date herewith in the principal sum of $25,000.00 executed by Gus Bowman, payable to Dallas International Bank of Dallas, Texas, being secured by vendor's lien retained in Deeds of even date therewith from Jimmy Leroy Gullett et ux, Reba Lucille Gullett and Birl H. Coughran et ux Gladys Coughran, and being additionally secured by Deed of Trust of even date therewith from Gus Bowman to Jim Watson, Trustee; said Deeds being of record in Deed Records of Dallas County, Texas, and said Deed of Trust being of record in Deed of Trust Records of Dallas County, Texas.)

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DYNCORP 00734

TO HAVE AND TO HOLD the said described property, with all rights, members, hereditaments and appurtenances, now or hereafter, at any time before the foreclosure hereof, in any wise appertaining or belonging thereto, unto the said Trustee, and to his successor or substitute hereunder, and to his and their assigns forever. And the undersigned hereby binds himself, herself, his, her or their heirs, executors and administrators, to warrant and forever defend all and singular the said premises, unto the said Trustee, his successor or substitute in this trust, and to his or their assigns forever, against the lawful claim or claims of all persons whomsoever.

THIS CONVEYANCE is made in trust, however, to secure and enforce the payment of one promissory note of even date herewith (hereinafter referred to as note), executed by the undersigned, payable to Gus Bowman, or order at Grand Prairie Dallas, Texas, as follows:

Being of even date herewith in the principal sum of $7,321.71, bearing interest at the rate of 9% per annum, becoming due and payable on or before six (6) months from date and being secured by vendor's lien contained in Deed of even date herewith from Gus Bowman to Land-Air, Inc., conveying the hereinabove described property; said note being second and inferior to the hereinabove described note in the sum of $25,000.00;

all past due interest and principal shall bear interest at the rate of ten per cent per annum. It is agreed that if default be made in the payment of any principal or interest on said note, or in the performance of the covenants or agreements herein contained, or any of them, then at the option of the legal holder of said note, the whole of the principal debt herein secured, together with any accrued interest hereon, shall become due and payable, and may be collected by suit or by proceeding hereunder; and it is further agreed that if said indebtedness is not paid when due, and is placed in the hands of an attorney for collection, or if collected through the Probate Court, ten per cent additional on full amount due shall be added as attorney's fees.

NOW, THEREFORE, if the said indebtedness be paid, principal and interest, as the same becomes due and payable, and if the covenants and agreements herein contained be kept and performed, then and in that case only, this conveyance shall become null and void, and the property herein conveyed shall become wholly clear, and these presents released in due form at the Grantors' cost, otherwise to remain in full force and effect; but if default shall be made in the payment of this note, or any installment of interest thereon, when the same shall become due, or in case of the breach of any of the agreements or covenants herein mentioned, then at the request of the legal holder of said note, or any holder of any portion of the indebtedness secured hereby, the said Trustee, or his successor or successors appointed hereunder is hereby authorized and empowered to sell the land hereby conveyed, at public auction, to the highest bidder, for cash, at the Court House door of Dallas County, Texas, between the hours of ten o'clock a.m. and four o'clock p.m., on the first Tuesday in any month, after having given notice of the time, place and manner of sale by posting written notices thereof at three public places in said county, one of which shall be at the Court House Door of said county, for three consecutive weeks prior to the day of sale; and it is hereby agreed that the said Trustee, or his successor, may sell said property, together in lots or parcels, as to him shall seem expedient; and after said sale as aforesaid, shall execute and deliver to the purchaser or purchasers thereof, good and sufficient deeds in law to the property so sold, in fee simple, with the usual warranties, and shall receive the proceeds of said sale, and out of the same shall pay: First, all charges, cost and expenses of executing this trust, including a reasonable fee to the Trustee; Second, the note above described and all sums of money due or to become due hereunder, with interest as agreed; and Third, shall render the overplus, if any, unto the undersigned herein, or legal representatives or assigns; and any such sale shall not be held to exhaust the power of sale granted hereunder but such power of sale shall survive, and subsequent sales may be had in like manner so long as any of the indebtedness secured hereby remains unpaid.

WE FURTHER COVENANT to have the improvements on the property hereby conveyed insured against loss or damage by fire, explosion and storm in some good and solvent insurance company or companies authorized to do business in Texas and approved by the holder or holders of the indebtedness in the amount of their full insurable value or such lesser amount as may be satisfactory to the holder or holders of said indebtedness, such insurance to be payable, in the event of loss or damage, by the terms of the policy, to the holders of said indebtedness as their interest may appear, and to deliver the policy or policies, and all renewals thereof, as soon as written, to such holders, and to pay, before the same shall become delinquent, all taxes, and assessments which may be levied or assessed against said premises or any part thereof, and to pay all principal and interest payments when due on all indebtedness against the above described property, secured by superior or prior liens to those securing the note above described and hereby secured; and we agree to continue said insurance in force until all of the indebtedness hereby secured has been paid in full. And it is especially agreed that if the undersigned shall fail to effect said insurance and deliver such policies, as herein provided, or to pay such taxes, assessments or payments on such prior indebtedness the holder of the note hereby secured may at his option declare the note hereby secured due and payable, or the said insurance may be effected, and the said taxes, assessments, or payments on such prior indebtedness may be paid by the legal holder of the note secured hereby, and the sum so expended shall be a demand obligation and become a part of the debt hereby secured, and shall draw interest at the rate of eight per cent per annum from the date so extended until paid.

THE GRANTORS FURTHER AGREE to pay all taxes that shall be chargeable to or assessed against this mortgage and the note or notes hereby secured, which tax payments on this mortgage and the note or notes hereby secured together with the interest payments, are not to exceed ten per cent per annum on the principal amount of the indebtedness hereby secured.

THE HOLDER OR HOLDERS of the indebtedness hereby secured, as further security thereof, shall, in event of default hereunder, have the right to take possession of said premises, and shall have the right to receive and collect the rents thereafter accruing on the property hereby conveyed and apply the same as a credit on any indebtedness secured hereby.

IN THE EVENT of foreclosure under the power herein granted, the Grantors, their heirs, successors or assigns, or any person in possession of said premises, shall thereupon become the tenant at will of the purchaser at such foreclosure sale, and should such tenant refuse to surrender possession of said premises upon demand, the purchaser shall thereupon be entitled to institute and maintain the statutory action for forcible detainer and procure a writ of possession thereunder.

IT IS FURTHER AGREED that in case of the death, resignation, removal or absence of said Trustee from the County of Dallas, Texas, or his refusal or failure or inability to act, or in the event the holder of the indebtedness secured hereby or any part thereof should for any reason desire to appoint a new Trustee in the place of the Trustee herein named or in the place of any substitute Trustee that may have been theretofore appointed, such holder shall be and hereby is authorized to appoint a substitute in writing, who shall thereupon succeed to all of the estate, rights, powers and trusts granted to the Trustee herein named. If the holder of said note is a corporation then its President or any Vice President thereof may, without further formality, appoint a substitute in writing who shall succeed to all powers of the original Trustee.

IT IS SPECIALLY AGREED that in case of any sale hereunder, all prerequisites to said sale shall be presumed to have been performed, and that in any conveyance given hereunder all statements of facts, or other recitals therein made, as to the non-payment of money secured, or as to the breach or non-performance of any of the covenants herein set forth, or as to the request of the Trustee, to enforce this Trust, or as to the proper and due appointment of any substitute Trustee, or as to the advertisement of sale, or time or place or manner of sale, or as to any other preliminary act or thing, shall be taken in all courts of law or equity as prima facie evidence that the facts so stated or recited are true.

IN NO EVENT shall a greater rate than ten per centum per annum be charged or collected for the use of the money hereby secured, and shall a greater amount be collected, it shall be construed as a mutual mistake of the parties and returned to maker.

EXECUTED this 28th day of February, A. D. 19 74.

LAND-AIR, INC.

BY: Gus Bowman
Gus Bowman, President

[illegible] CE

74133 2424

DYNCORP 00735

THE STATE OF TEXAS }
County of DALLAS }

BEFORE ME, the undersigned authority, a Notary Public in and for Dallas County, Texas, on this day personally appeared Gus Bowman, President of Land-Air, Inc., a corporation known to me to be the person and officer whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, and in the capacity

GIVEN UNDER MY HAND AND SEAL OF OFFICE, This 28th day of June A. D. 19 74

Burns Larsen

(L. S.) Notary Public Dallas County, Texas.

THE STATE OF TEXAS, }
County of }

BEFORE ME, the undersigned authority, a Notary Public in and for County, Texas, on this day personally appeared

and

his wife, both known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they each executed the same for the purposes and consideration therein expressed; and the said

, wife of the said ,

having been examined by me privily and apart from her husband and having the same fully explained to her, she, the said , acknowledged such instrument to be her act and deed, and she declared that she had willingly signed the same for the purposes and consideration therein expressed, and that she did not wish to retract it.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, This day of A. D. 19 .

(L. S.) Notary Public County, Texas.

THE STATE OF TEXAS, }
County of }

BEFORE ME, the undersigned authority, a Notary Public in and for County, Texas, on this day personally appeared

, wife of ,

known to me to be the person whose name is subscribed to the foregoing instrument, and, having been examined by me privily and apart from her husband, and having the same fully explained to her, she, the said acknowledged such instrument to be her act and deed, and declared that she had willingly signed the same for the purposes and consideration therein expressed, and that she did not wish to retract it.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, This day of A. D. 19 .

(L. S.) Notary Public County, Texas.

THE STATE OF TEXAS, }
County of }

BEFORE ME, the undersigned authority, a Notary Public in and for County, Texas, on this day personally appeared
known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

Also before me on this day personally appeared

wife of , known to me to be the person whose name is subscribed to the foregoing instrument, and, having been examined by me privily and apart from her husband, and having the same fully explained to her, she, the said ,

acknowledged such instrument to be her act and deed, and declared that she had willingly signed the same for the purposes and consideration therein expressed, and that she did not wish to retract it.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, This day of A. D. 19 .

(L. S.) Notary Public County, Texas.

74133 2425

DYNCORP 00736

CORPORATION ACKNOWLEDGMENT

THE STATE OF TEXAS,
COUNTY OF DALLAS

BEFORE ME, the undersigned, a Notary Public, ..., in and for said County, Texas, on this day personally appeared Gus Bowman, President, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the said LAND-AIR, INC. a corporation, and that he executed the same as the act of such corporation for the purpose and consideration therein expressed in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE. This ..... day of June,

A. D. 19 74

(L.S.)

Notary Public Dallas County, Texas

STATE OF TEXAS COUNTY OF DALLAS
I hereby certify that this instrument was filed on the date and time stamped hereon by me and was duly recorded in the volume and page of the named records of Dallas County, Texas as stamped hereon by me.

JUL 10 1974

Tom E. Ellis
COUNTY CLERK, Dallas County, Texas

1974 JUL 10 AM 8 48

FILED
Tom E. Ellis
COUNTY CLERK
DALLAS COUNTY

DEED OF TRUST

..... TO ..... Trustee.

..... Beneficiary.

Filed for Record this ..... day of ..... A. D. 19....., at ..... o'clock ..... M.

..... Clerk, Dallas County, Texas.

By ..... Deputy.

Return to Burns Larum
Address Box 763
Grand Prairie, Texas 75050

VOL PAGE
74133 2426

THE STATE OF TEXAS,
County of Dallas,
ss.

I hereby certify that the foregoing instrument, with its certificate of authentication, was filed in my office, for record on the ..... day of ..... A. D. 19....., at ..... o'clock ..... M., and was duly recorded by me on the ..... day of ..... A. D. 19....., in Vol. ....., on page ....., of the Records of Mortgages and Deeds of Trust for said County.

County Clerk, Dallas County, Texas.

By ....., Deputy.

JUL-10-74 116279 01—LS 6.50

DISTRIBUTION EASEMENT AND RIGHT-OF-WAY

THE STATE OF TEXAS
COUNTY OF DALLAS

KNOW ALL MEN BY THESE PRESENTS:

DEED RECORD

That Land Air Corporation, Inc.

(herein referred to in the singular, whether one or more) of Dallas County, Texas, for and in consideration of One and no/100 Dollars ($ 1.00) to me in hand paid by Texas Electric Service Company have granted, sold and conveyed and by these presents do grant, sell and convey unto the said Company, an easement of right-of-way for an electric distribution line, consisting of variable numbers of wires, and all necessary or desirable appurtenances (including poles made of wood, metal or other materials, telephone and telegraph wire, props, guys and anchorages), at or near the location and along the general course now located and staked out by said Company, along, over, under, across and upon the following described lands located in Dallas County, Texas, to wit:

Lot 101, Burbank Gardens, an addition to the City of Grand Prairie, Dallas County, Texas, which property is more particularly described in Volume 5, Page 109, Deed Records, Dallas County, Texas, to which reference is hereby made.

An easement for an overhead electrical distribution line, the center-line of which begins at a point, said point being 5 feet south of the north line and 16 feet east of the west line of said Lot 101.

Thence; in a southerly direction parallel to the west line a distance of 14 feet to a point.

Approved as to form

CANTEY, HANGER, GOOCH, CRAVENS & MUNN

By [signature]

VOL PAGE
73172 1974

Grantor recognizes that the general course of said line, as above described, is based upon preliminary surveys only, and hereby agrees that the easement hereby granted shall apply to the actual location of said line when constructed.

Together with the right of ingress and egress over my adjacent lands to or from said right-of-way for the purpose of inspecting, maintaining, constructing and removing said line and appurtenances; the right to relocate along the same general direction of said lines; the right to relocate said line in the same relative position to any adjacent road if and as such road is widened in the future; the right to lease pole space for the purpose of permitting others to string wire or other desirable appurtenances on said line; the right to prevent the construction of, for a distance of 5 feet on each side of the actual center of said line, any or all buildings, structures or other obstructions which, in the sole judgment of the Company, may endanger or interfere with the efficiency, safety, and/or convenient operation of said line and its appurtenances; and the right to trim or cut down trees or shubbery within, but not limited to, said 10-foot space, to the extent, in the sole judgment of the Company, as may be necessary to prevent possible interference with the operation of said line or to remove possible hazard thereto.

TO HAVE AND TO HOLD the above described easement and rights unto the said Company, its successors and assigns, until said line shall be abandoned.

And I do hereby bind myself, my heirs and legal representatives, to warrant and forever defend all and singular the above described easement and rights unto the said Company, its successors and assigns, against every person whomsoever lawfully claiming or to claim the same or any part thereof.

WITNESS hand this 14 day of May, 1973

Company Agent or Employee Securing Easement: Sec. Attest: LAND AIR CORPORATION, INC.

[signature] By: Gus Bowman

President

001972

73172/1974 8-31/1973

AUG-31-73 661989 WD — LS : 2.50

278
EF NUMBER

TESCO FILE NUMBER 25

280N863 E- 51587

THE STATE OF TEXAS
Dallas County

DISTRIBUTION EASEMENT AND RIGHT-OF-WAY

FROM
Land Air Corporation, Inc.

TO
TEXAS ELECTRIC SERVICE COMPANY

'73 AUG 31 AM 9:20

STATE OF TEXAS COUNTY OF DALLAS
I hereby certify that this instrument was filed on the date and time stamped hereon by me and was duly recorded in the volume and page of the named records of Dallas County, Texas as stamped hereon by me.

AUG 31 1973

THE STATE OF TEXAS
County

I, County Clerk in and for said County, hereby certify that the within conveyance was filed in my office for record on the day of 19 at o'clock M, and duly recorded by me on the day of 19 in Book Records of Deeds of said County, at page
Given under my hand and seal of office the day and year last above written.

County Clerk County, Texas
By Deputy.

TESCO 731-500
REV. 7-70
R. S. BEARD
POST OFFICE BOX 970
FORT WORTH, TEXAS 76101

THE STATE OF TEXAS
COUNTY OF DALLAS

Tom E. Ellis
COUNTY CLERK, Dallas County, Texas

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared
Gus Bowman President of Land Air Corporation, Inc.
known to me to be the person whose name subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed. in the capacity therein stated and as the act and deed of said corporation.
GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 14th day of May A. D. 1973

Notary Public in and for Dallas County, Texas.

THE STATE OF TEXAS
COUNTY OF

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared
R. E. Jennings
known to me to be the person whose name subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.
GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 14th day of May A. D. 1973

Notary Public in and for Dallas County, Texas.

THE STATE OF TEXAS
COUNTY OF

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared , known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the said a corporation, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.
GIVEN UNDER MY HAND AND SEAL OF OFFICE this the day of A. D. 19

VOL & PAGE
Notary Public in and for County, Texas.

73172 1975

2.5

NOTICE Prepared by the State Bar of Texas for use by Lawyers only. 12-73- 5M
To select the proper form, fill in blank spaces, strike out form provisions or insert special terms constitutes the practice of law. No "standard form" can meet all requirements.

DEED RECORD

EXTENSION OF REAL ESTATE NOTE AND LIEN

THE STATE OF TEXAS
COUNTY OF Dallas

KNOW ALL MEN BY THESE PRESENTS:

THAT Gus Bowman, of Dallas County, Texas, herein called Undersigned, being legally obligated to pay the hereinafter described promissory note and who, if not presently primarily liable for the payment of said note, does hereby expressly assume the payment thereof, said note being in the original principal sum of Twenty-five thousand and no/100---- Dollars ($ 25,000.00), dated February 26, 19[illegible] executed by Gus Bowman, payable to the order of Dallas International Bank, more fully described in a Deed of Trust, duly recorded in Volume 78056, page 1109, of the Deed of Trust Records of Dallas County, Texas, said note being secured by the liens therein created or mentioned against the following described property, to-wit:

Tract I:

BEING LOT 99, of BURBANK GARDENS ADDITION, an Addition to the City of Grand Prairie, Dallas County, Texas, according to the Map thereof, recorded in Volume 5, Page 109, Map Records, Dallas County, Texas;

Tract II:

BEING LOT 100, of BURBANK GARDENS ADDITION, an Addition to the City of Grand Prairie, Dallas County, Texas, according to the Map thereof, recorded in Volume 5, Page 109, Map Records, Dallas County, Texas.

and who now desires to extend or rearrange the time or manner of payment of said note and to extend and carry forward said liens on said property, and

WHEREAS, Dallas International Bank, the legal owner and holder of said note and of the liens securing the same, in consideration of the premises and at the request of the Undersigned has agreed to extend or rearrange the time or manner of payment of said note as hereinafter provided:

NOW, THEREFORE, in consideration of the extension or rearrangement of the time or manner of payment of said note as hereinafter set forth by the legal owner and holder thereof, the Undersigned hereby renews said note and indebtedness and promises to pay to the order of Dallas International Bank in the City of Dallas, Dallas County, Texas, the sum of Twenty Thousand and no/100---- ($ 20,000.00) Dollars (being the present unpaid balance of said note), together with interest thereon at the rate of Ten per cent (10 %) per annum after date hereof until maturity, as follows:

The principal of this note is payable on demand, or if no demand is made, then 180 days from date, due August 27, 1975.

The interest on said note is payable quarterly, beginning May 29, 1975.

and the Undersigned hereby extends said liens on said property until said indebtedness and note as so renewed and extended has been fully paid, and agrees that such extension or rearrangement shall in no manner affect or impair said note or the liens securing the same and that said liens shall not in any manner be waived, the purpose of this instrument being simply to extend or rearrange the time or manner of payment of said note and indebtedness and to carry forward all liens securing the same, which are acknowledged by the Undersigned to be valid and subsisting, and the Undersigned further agrees that all terms and provisions of said original note and of the instrument or instruments creating or fixing the liens securing the same shall be and remain in full force and effect as therein written, except as otherwise expressly provided herein.

EXECUTED this [illegible] day of February, A. D. 19[illegible].

Accepted and agreed to

Gus Bowman

by the owner and holder

of said note: DALLAS INTERNATIONAL BANK

By: [illegible]

75058 1657

DYNCORP 00740

(Acknowledgment)

THE STATE OF TEXAS }
COUNTY OF Dallas }

Before me, the undersigned authority, on this day personally appeared
Gus Bowman

known to me to be the person whose name subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office on this the 24th day of February, A. D. 19 75

Helen Kendall
Notary Public in and for Dallas County, Texas.

(Acknowledgment)

THE STATE OF TEXAS }
COUNTY OF }

Before me, the undersigned authority, on this day personally appeared

known to me to be the person whose name subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office on this the day of , A. D. 19 .

Notary Public in and for County, Texas.

1975 MAR 24 AM 9 40

FILED
John E. Ellis
COUNTY CLERK
DALLAS COUNTY

EXTENSION OF REAL ESTATE NOTE AND LIEN

TO

STATE OF TEXAS COUNTY OF DALLAS
I hereby certify that this instrument was filed on the date and time stamped hereon by me and was duly recorded in the volume and page of the named records of Dallas County, Texas as stamped hereon by me.

MAR 24 1975

John E. Ellis
COUNTY CLERK, Dallas County, Texas

PREPARED IN THE LAW OFFICE OF:

PLEASE RETURN TO:
Dallas International Bank
1226 Commerce
Dallas, Texas 75202

(Corporate acknowledgment)

75058 1658

THE STATE OF TEXAS }
COUNTY OF Dallas }

Before me, the undersigned authority, on this day personally appeared
Vice President of Dallas International Bank
a corporation, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated and as the act and deed of said corporation.

Given under my hand and seal of office on this the 24th day of February, A.D. 19 75.

Notary Public in and for Dallas County, Texas.

ACS/TRC DALLAS Doc: 000255093 Date: 03/24/1975 Vol: 0075058 Page: 01657 Page: 2 Of 2

DYNCORP 00741

NOTICE Prepared by the State Bar of Texas for use by Lawyers only. 12-73-5M
To select the proper form, fill in blank spaces, strike out form provisions or insert special terms constitutes the practice of law. No "standard form" can meet all requirements.

RELEASED RECORDED

EXTENSION OF REAL ESTATE NOTE AND LIEN

THE STATE OF TEXAS }
COUNTY OF Dallas } KNOW ALL MEN BY THESE PRESENTS:

THAT Gus Bowman, of Dallas County, Texas, herein called Undersigned, being legally obligated to pay the hereinafter described promissory note and who, if not presently primarily liable for the payment of said note, does hereby expressly assume the payment thereof, said note being in the original principal sum of Twenty Five Thousand and no/100 Dollars ($ 25,000.00), dated 2-28-71, executed by Gus Bowman, payable to the order of Dallas International Bank, more fully described in a Deed of Trust, duly recorded in Volume 70016, page 1421, of the Deed of Trust Records of Dallas County, Texas, said note being secured by the liens therein created or mentioned against the following described property, to-wit:

TRACT I:

Being Lot 99, of Burbank Gardens Addition, an Addition to the City of Grand Prairie, Dallas County, Texas, according to the Map thereof, recorded in Vol. 5, Page 103, Map Records, Dallas County, Texas;

TRACT II:

Being Lot 100, of Burbank Gardens Addition, an Addition to the City of Grand Prairie, Dallas County, Texas, according to the Map thereof, recorded in Vol. 5, Page 103, Map Records, Dallas County, Texas.

and who now desires to extend or rearrange the time or manner of payment of said note and to extend and carry forward said liens on said property, and

WHEREAS, Dallas International Bank, the legal owner and holder of said note and of the liens securing the same, in consideration of the premises and at the request of the Undersigned has agreed to extend or rearrange the time or manner of payment of said note as hereinafter provided:

NOW, THEREFORE, in consideration of the extension or rearrangement of the time or manner of payment of said note as hereinafter set forth by the legal owner and holder thereof, the Undersigned hereby renews said note and indebtedness and promises to pay to the order of Dallas International Bank in the City of Dallas, Dallas County, Texas, the sum of Twelve Thousand and 00/100 ($ 12,500.00) Dollars (being the present unpaid balance of said note), together with interest thereon at the rate of Ten per cent (10 %) per annum after date hereof until maturity, as follows:

The principal of this note is payable on demand, or if no demand is made, then 90 days from date, to November 5, 197_.

and the Undersigned hereby extends said liens on said property until said indebtedness and note as so renewed and extended has been fully paid, and agrees that such extension or rearrangement shall in no manner affect or impair said note or the liens securing the same and that said liens shall not in any manner be waived, the purpose of this instrument being simply to extend or rearrange the time or manner of payment of said note and indebtedness and to carry forward all liens securing the same, which are acknowledged by the Undersigned to be valid and subsisting, and the Undersigned further agrees that all terms and provisions of said original note and of the instrument or instruments creating or fixing the liens securing the same shall be and remain in full force and effect as therein written, except as otherwise expressly provided herein.

EXECUTED this 2nd day of September, A. D. 19 75.

Accepted and agreed to by the owner and holder of said note:

DALLAS INTERNATIONAL BANK
BY: Vance Foster
Vance Foster, Exec. Vice Pres.

X Gus Bowman
Gus Bowman

75173 1798

ACS/TRC DALLAS Doc: 000352383 Date: 09/04/1975 Vol: 0075173 Page: 01798 Page: 1 Of 2

DYNCORP 00742

(Acknowledgment)

THE STATE OF TEXAS }
COUNTY OF Dallas }

Before me, the undersigned authority, on this day personally appeared Gus Bowman

known to me to be the person..... whose name..... subscribed to the foregoing instrument, and acknowledged to me that..... he ..... executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office on this the 2 day of September, A. D. 1975.

Ruby Lee Alexander
Notary Public in and for Dallas County, Texas.

RUBY LEE ALEXANDER, Notary Public
in and for Dallas County, Texas
My Commission Expires June 1, 1977

(Acknowledgment)

THE STATE OF TEXAS }
COUNTY OF }

Before me, the undersigned authority, on this day personally appeared

known to me to be the person ..... whose name..... subscribed to the foregoing instrument, and acknowledged to me that..... he ..... executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office on this the day of , A. D. 19 .

Notary Public in and for County, Texas.

EXTENSION OF REAL ESTATE
NOTE AND LIEN

Gus Bowman
1975 SEP 4 AM 8 44

TO

Dallas International Bank

STATE OF TEXAS COUNTY OF DALLAS
I hereby certify that this instrument was filed on the date and time stamped hereon by me and was duly recorded in the volume and page of the named records of Dallas County, Texas as stamped hereon by me.

SEP 4 1975

Tom E. Ellis
COUNTY CLERK, Dallas County, Texas

PREPARED IN THE LAW OFFICE OF:

PLEASE RETURN TO:
Dallas International Bank
1226 Commerce St.
Dallas, Texas 75202

(Corporate acknowledgment)

THE STATE OF TEXAS }
COUNTY OF Dallas }

75173 1799

Before me, the undersigned authority, on this day personally appeared Vance Foster
Executive Vice President of Dallas International Bank
a corporation, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated and as the act and deed of said corporation.

Given under my hand and seal of office on this the 2 day of September, A. D. 19 75

RUBY LEE ALEXANDER, Notary Public
in and for Dallas County, Texas
My Commission Expires June 1, 1977

Ruby Lee Alexander
Notary Public in and for Dallas County, Texas.

SEP-4-75 352383 NO — A 250

2.50

NOTICE *To select the proper form, fill in blank spaces, strike out form provisions or insert special terms constitutes the practice of law. No "standard form" can meet all requirements.* DEED RECORD

EXTENSION OF REAL ESTATE NOTE AND LIEN

THE STATE OF TEXAS
COUNTY OF Dallas

KNOW ALL MEN BY THESE PRESENTS:

THAT Gus Bowman, of Dallas County, Texas, herein called Undersigned, being legally obligated to pay the hereinafter described promissory note and who, if not presently primarily liable for the payment of said note, does hereby expressly assume the payment thereof, said note being in the original principal sum of ----TWENTY FIVE THOUSAND AND NO/100---------- Dollars ($ 25,000.00), dated 2-28-74, executed by Gus Bowman, payable to the order of Dallas International Bank, more fully described in a Deed of Trust, duly recorded in Volume 74046, page 1199, of the Deed of Trust Records of Dallas County, Texas, said note being secured by the liens therein created or mentioned against the following described property, to-wit:

TRACT I:

Being Lot 99, of Burbank Gardens Addition, an Addition to the City of Grand Prairie, Dallas County, Texas, according to the Map thereof, recorded in Volume 5, Page 109, Map Records, Dallas County, Texas.

TRACT II:

Being Lot 100, of Burbank Gardens Addition, an Addition to the City of Grand Prairie, Dallas County, Texas, according to the map thereof, recorded in Vol. 5, Page 109, Map Records, Dallas County, Texas.

and who now desires to extend or rearrange the time or manner of payment of said note and to extend and carry forward said liens on said property, and

WHEREAS, Dallas International Bank, the legal owner and holder of said note and of the liens securing the same, in consideration of the premises and at the request of the Undersigned has agreed to extend or rearrange the time or manner of payment of said note as hereinafter provided:

NOW, THEREFORE, in consideration of the extension or rearrangement of the time or manner of payment of said note as hereinafter set forth by the legal owner and holder thereof, the Undersigned hereby renews said note and indebtedness and promises to pay to the order of Dallas International Bank in the City of Dallas, Dallas County, Texas, the sum of ----NINETEEN THOUSAND AND NO/100--------- ($ 19,000.00) Dollars (being the present unpaid balance of said note), together with interest thereon at the rate of Ten per cent (10 %) per annum after date hereof until maturity, as follows:

The principal of this note is payable upon DEMAND and if no demand is made, then 62 days from date thereof. (January 26, 1976)

and the Undersigned hereby extends said liens on said property until said indebtedness and note as so renewed and extended has been fully paid, and agrees that such extension or rearrangement shall in no manner affect or impair said note or the liens securing the same and that said liens shall not in any manner be waived, the purpose of this instrument being simply to extend or rearrange the time or manner of payment of said note and indebtedness and to carry forward all liens securing the same, which are acknowledged by the Undersigned to be valid and subsisting, and the Undersigned further agrees that all terms and provisions of said original note and of the instrument or instruments creating or fixing the liens securing the same shall be and remain in full force and effect as therein written, except as otherwise expressly provided herein.

EXECUTED this 28 day of November, A. D. 19 75

Accepted and agreed to by the owner and holder of said note:

DALLAS INTERNATIONAL BANK
BY: Vance Fuston

X Gus Bowman
Gus Bowman

VOL. PAGE
75235 1828

ACS/TRC DALLAS Doc: 000403871 Date: 12/03/1975 Vol: 0075235 Page: 01828 Page: 1 Of 2

DYNCORP 00744

(Acknowledgment)

THE STATE OF TEXAS }
COUNTY OF Dallas }

Before me, the undersigned authority, on this day personally appeared

Gus Bowman

known to me to be the person..... whose name..... is subscribed to the foregoing instrument, and acknowledged to me that..... he..... executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office on this the 28 day of November, , A. D. 19 75.

Ruby Lee Alexander
Notary Public in and for Dallas County, Texas.

My Commission Expires June 1, 1977

(Acknowledgment)

THE STATE OF TEXAS }
COUNTY OF }

Before me, the undersigned authority, on this day personally appeared

known to me to be the person ..... whose name..... subscribed to the foregoing instrument, and acknowledged to me that..... he .....executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office on this the day of , A. D. 19 .

Notary Public in and for County, Texas.

FILED

EXTENSION OF REAL ESTATE NOTE AND LIEN

Gus Bowman

TO

Dallas International Bank
1226 Commerce St.
Dallas, Texas 75202

STATE OF TEXAS COUNTY OF DALLAS
I hereby certify that this instrument was filed on the date and time stamped hereon by me and was duly recorded in the volume and page of the named records of Dallas County, Texas as stamped hereon by me

DEC 3 1975

John E. Ellis
COUNTY CLERK, Dallas County, Texas

PREPARED IN THE LAW OFFICE OF:

PLEASE RETURN TO:

Dallas International Bank
1226 Commerce St.
Dallas, Texas 75202
ATTN: Penny Alexander
L&D Dept.

(Corporate acknowledgment)

THE STATE OF TEXAS }
COUNTY OF Dallas }

75235 1829

Before me, the undersigned authority, on this day personally appeared Vance Foster
Executive Vice Pres. of Dallas International Bank
a corporation, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated and as the act and deed of said corporation.

Given under my hand and seal of office on this the 28 day of November, , A. D. 19 75.

Ruby Lee Alexander
Notary Public in and for Dallas County, Texas.

My Commission Expires June 1, 1977

NOTICE *To select the proper form, fill in blank spaces, strike out form provisions or insert special terms constitutes the practice of law. No "standard form" can meet all requirements.*

DEED RECORD

EXTENSION OF REAL ESTATE NOTE AND LIEN

THE STATE OF TEXAS }
COUNTY OF Dallas } KNOW ALL MEN BY THESE PRESENTS:

THAT Gus Bowman, of Dallas County, Texas, herein called Undersigned, being legally obligated to pay the hereinafter described promissory note and who, if not presently primarily liable for the payment of said note, does hereby expressly assume the payment thereof, said note being in the original principal sum of --Twenty Five Thousand and no/100----- Dollars ($ 25,000.00), dated 2-28-74, executed by Gus Bowman, payable to the order of Dallas International Bank, more fully described in a Deed of Trust, duly recorded in Volume 74046, page 1199, of the Deed of Trust Records of Dallas County, Texas, said note being secured by the liens therein created or mentioned against the following described property, to-wit:

TRACT I:
Being Lot 99, of Burbank Gardens Addition, an Addition to the City of Grand Prairie, Dallas County, Texas, according to the map thereof, recorded in Volume 5, Page 109, Map Records, Dallas County, Texas.

TRACT II:
Being Lot 100, of Burbank Gardens Addition, an Addition to the City of Grand Prairie, Dallas County, Texas, according to the map thereof, recorded in Vol. 5, Page 109, Map Records, Dallas County, Texas.

and who now desires to extend or rearrange the time or manner of payment of said note and to extend and carry forward said liens on said property, and

WHEREAS, Dallas International Bank, the legal owner and holder of said note and of the liens securing the same, in consideration of the premises and at the request of the Undersigned has agreed to extend or rearrange the time or manner of payment of said note as hereinafter provided:

NOW, THEREFORE, in consideration of the extension or rearrangement of the time or manner of payment of said note as hereinafter set forth by the legal owner and holder thereof, the Undersigned hereby renews said note and indebtedness and promises to pay to the order of Dallas International Bank in the City of Dallas, Dallas County, Texas, the sum of --Nineteen Thousand and no/100-----, ($ 19,000.00) Dollars (being the present unpaid balance of said note), together with interest thereon at the rate of Ten per cent (10 %) per annum after date hereof until maturity, as follows:

The principal of this note is payable on Demand, or if no demand is made, then Sixty (60) days from date thereof. (March 26, 1976)

and the Undersigned hereby extends said liens on said property until said indebtedness and note as so renewed and extended has been fully paid, and agrees that such extension or rearrangement shall in no manner affect or impair said note or the liens securing the same and that said liens shall not in any manner be waived, the purpose of this instrument being simply to extend or rearrange the time or manner of payment of said note and indebtedness and to carry forward all liens securing the same, which are acknowledged by the Undersigned to be valid and subsisting, and the Undersigned further agrees that all terms and provisions of said original note and of the instrument or instruments creating or fixing the liens securing the same shall be and remain in full force and effect as therein written, except as otherwise expressly provided herein.

EXECUTED this 26 day of January, A. D. 19 76.

Gus Bowman

Accepted and agreed to

by the owner and holder

of said note: DALLAS INTERNATIONAL BANK
By: Vance Foster
Vance Foster
Executive Vice President

76023 1725

ACS/TRC DALLAS Doc: 000019082 Date: 02/04/1976 Vol: 0076023 Page: 01725 Page: 1 Of 2

DYNCORP 00746

(Acknowledgment)

THE STATE OF TEXAS }
COUNTY OF Dallas }

Before me, the undersigned authority, on this day personally appeared

Gus Bowman

known to me to be the person..... whose name..... subscribed to the foregoing instrument, and acknowledged to me that..... he ..... executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office on this the 26th day of January, A. D. 19 76

Ruby Lee Alexander
Notary Public in and for Dallas County, Texas.

STATE OF TEXAS COUNTY OF DALLAS
I hereby certify that this instrument was filed on the date and time stamped hereon by me and was duly recorded in the volume and page of the named records of Dallas County, Texas as stamped hereon by me.

FEB 4 1976

L. E. Murdoch
COUNTY ... Dallas County, Texas

(Acknowledgment)

THE STATE OF TEXAS }
COUNTY OF }

Before me, the undersigned authority, on this day personally appeared

known to me to be the person ..... whose name..... subscribed to the foregoing instrument, and acknowledged to me that..... he .....executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office on this the day of , A. D. 19 .

Notary Public in and for County, Texas.

EXTENSION OF REAL ESTATE
NOTE AND LIEN

Gus Bowman

TO

Dallas International Bank
1226 Commerce St.
Dallas, Texas 75202

76 FEB 4 AM 8:34
COUNTY CLERK
DALLAS COUNTY, TEXAS
L. E. Murdoch

PREPARED IN THE LAW OFFICE OF:

PLEASE RETURN TO:
Dallas International Bank
1226 Commerce St.
Dallas, Texas 75202
ATTN: L&D Dept. - Penny Alexander

(Corporate acknowledgment)

THE STATE OF TEXAS }
COUNTY OF Dallas }

76023 1726

Before me, the undersigned authority, on this day personally appeared Vance Foster, Executive Vice President of Dallas International Bank a corporation, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated and as the act and deed of said corporation.

Given under my hand and seal of office on this the 26 day of January, , A. D. 19 76 .

Ruby Lee Alexander
Notary Public in and for Dallas County, Texas.

FEB-4-76 19082 VO — A 250

NOTICE *To select the proper form, fill in blank spaces, strike out form provisions or insert special terms constitutes the practice of law. No "standard form" can meet all requirements.*

DEED RECORD

EXTENSION OF REAL ESTATE NOTE AND LIEN

THE STATE OF TEXAS }
COUNTY OF Dallas } KNOW ALL MEN BY THESE PRESENTS:

THAT Gus Bowman of Dallas County, Texas, herein called Undersigned, being legally obligated to pay the hereinafter described promissory note and who, if not presently primarily liable for the payment of said note, does hereby expressly assume the payment thereof, said note being in the original principal sum of ==TWENTY FIVE THOUSAND AND NO/100---------- Dollars ($ 25000.00), dated 2-28-76, executed by Gus Bowman, payable to the order of Dallas International Bank, more fully described in a Deed of Trust, duly recorded in Volume 74046, page 1199, of the Records of Deed of Trust County, Texas, said note being secured by the liens therein created or mentioned against the following described property, to-wit:

TRACT I: Being Lot 99 of Burbank Gardens Addition, an Addition to the City of Grand Prairie, Dallas County, Texas, according to the map thereof, recorded in Volume 5, Page 109, Map Records, Dallas County, Texas.

TRACT II: Being Lot 100 of Burbank Gardens Addition, an Addition to the City of Grand Prairie, Dallas County, Texas, according to the map thereof, recorded in Vol. 5, Page 109, Map Records, Dallas County, Texas/

and who now desires to extend or rearrange the time or manner of payment of said note and to extend and carry forward said liens on said property, and

WHEREAS, Dallas International Bank, the legal owner and holder of said note and of the liens securing the same, in consideration of the premises and at the request of the Undersigned has agreed to extend or rearrange the time or manner of payment of said note as hereinafter provided:

NOW, THEREFORE, in consideration of the extension or rearrangement of the time or manner of payment of said note as hereinafter set forth by the legal owner and holder thereof, the Undersigned hereby renews said note and indebtedness and promises to pay to the order of Dallas International Bank in the City of Dallas, Dallas County, Texas, the sum of ------NINETEEN THOUSAND AND NO/100--------- ($ 19,000.00) Dollars (being the present unpaid balance of said note), together with interest thereon at the rate of Ten per cent (10 %) per annum after date hereof until maturity, as follows:

Being due and payable upon DEMAND and if no DEMAND be made Thirty-one days (31) from date hereof, April 26, 1976. (31 days)

and the Undersigned hereby extends said liens on said property until said indebtedness and note as so renewed and extended has been fully paid, and agrees that such extension or rearrangement shall in no manner affect or impair said note or the liens securing the same and that said liens shall not in any manner be waived, the purpose of this instrument being simply to extend or rearrange the time or manner of payment of said note and indebtedness and to carry forward all liens securing the same, which are acknowledged by the Undersigned to be valid and subsisting, and the Undersigned further agrees that all terms and provisions of said original note and of the instrument or instruments creating or fixing the liens securing the same shall be and remain in full force and effect as therein written, except as otherwise expressly provided herein.

EXECUTED this 26 day of March, A. D. 19 76.

x Gus Bowman
Gus Bowman

Accepted and agreed to
by the owner and holder
of said note: DALLAS INTERNATIONAL BANK
BY: Vance Foster
Vance Foster, Exec. Vice President

VOL. 76066 2570

ACS/TRC DALLAS Doc: 000125823 Date: 04/06/1976 Vol: 0076066 Page: 02570 Page: 1 Of 2

DYNCORP 00748

(Acknowledgment)

THE STATE OF TEXAS }
COUNTY OF }

Before me, the undersigned authority, on this day personally appeared Gus Bowman

known to me to be the person..... whose name is subscribed to the foregoing instrument, and acknowledged to me that..... he ..... executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office on this the 26 day of March, , A. D. 19 76.

Ruby Lee Alexander
Notary Public in and for Dallas County, Texas.

[illegible]

(Acknowledgment)

THE STATE OF TEXAS }
COUNTY OF }

Before me, the undersigned authority, on this day personally appeared

known to me to be the person ..... whose name..... subscribed to the foregoing instrument, and acknowledged to me that..... he .....executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office on this the day of , A. D. 19 .

Notary Public in and for County, Texas.

'76 APR 6 AM 8 39

FILED

L. E. Murdock

EXTENSION OF REAL ESTATE
NOTE AND LIEN

Gus Bowman

TO

Dallas International Bank

STATE OF TEXAS COUNTY OF DALLAS
I hereby certify that this instrument was filed on the date and time stamped hereon by me and was duly recorded in the volume and page of the named records of Dallas County, Texas as stamped hereon by me.

APR 6 1976

L. E. Murdock
COUNTY CLERK, Dallas County, Texas

PREPARED IN THE LAW OFFICE OF:

PLEASE RETURN TO:
Dallas International Bank
1226 Commerce Street
Dallas, Texas 75201
Attn: L&D Dept.

VOL. PAGE
76066 2571

(Corporate acknowledgment)

THE STATE OF TEXAS }
COUNTY OF Dallas }

Before me, the undersigned authority, on this day personally appeared [illegible] Executive Vice President of Dallas International Bank, a corporation, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated and as the act and deed of said corporation.

Given under my hand and seal of office on this the 26 day of March, , A. D. 19 76.

Ruby Lee Alexander
Notary Public in and for Dallas County, Texas.

[illegible]

ACS/TRC DALLAS Doc: 000125823 Date: 04/06/1976 Vol: 0076066 Page: 02570 Page: 2 Of 2

5.00 ARB. NO.5/109 PNTI FILE NO.24575-D-GN

NOTICE Prepared by the State Bar of Texas for use by Lawyers only. 4-74—15M *To select the proper form, fill in blank spaces, strike out form provisions or insert special terms constitutes the practice of law. No "standard form" can meet all requirements.*

DEED RECORD

NOV-29-77 896602 RD — LS 5.00

RELEASE OF LIEN

THE STATE OF TEXAS }
COUNTY OF DALLAS } KNOW ALL MEN BY THESE PRESENTS:

THAT the undersigned, of the County of DALLAS, and State of Texas, the legal and equitable owner and holder of that one certain promissory note in the original principal sum of TWENTY-FIVE THOUSAND AND NO/100 Dollars ($ 25,000.00) dated February 28, 1974, executed by GUS BOWMAN, payable to the order of DALLAS INTERNATIONAL BANK OF DALLAS extended from time to time' thereafter more fully described in a DEED OF TRUST, said Deed of Trust being duly recorded in Vol. 74046 page 1199 of the DEED OF TRUST Records of DALLAS County, Texas; said note being secured by A DEED OF TRUST against the following described property, to-wit:

Lots 99 and 100 of BURBANK GARDEN ADDITION, an Addition to the City of Grand Prairie, Texas, according to the plat thereof recorded in Volume 5, Page 109, Map Records of Dallas County, Texas.

for and in consideration of the full and final payment of all indebtedness secured by the aforesaid lien or liens, the receipt of which is hereby acknowledged, has released and discharged, and by these presents hereby releases and discharges, the above described property from all liens held by the undersigned securing said indebtedness.

VOL. PAGE
72230 0956

EXECUTED this 22nd day of November, A. D. 19 77.

Dallas International Bank

By: _____
Vice-President & Cashier

DYNCORP 00750

(Acknowledgment)

THE STATE OF TEXAS }
COUNTY OF DALLAS }

Before me, the undersigned authority, on this day personally appeared Christopher T. Baker

Vice President & Cashier

known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office on this the 22nd day of NOVEMBER, A. D. 19 77

Notary Public in and for DALLAS County, Texas.

(Acknowledgment)

THE STATE OF TEXAS }
COUNTY OF }

Before me, the undersigned authority, on this day personally appeared

known to me to be the person whose name subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office on this the day of , A. D. 19

Notary Public in and for County, Texas.

FILED
77 NOV 28 AM 8:5

STATE OF TEXAS COUNTY OF DALLAS
I hereby certify that this instrument was filed on the date and time stamped hereon by me and was duly recorded in the volume and page of the named records of Dallas County, Texas as stamped hereon by me.

NOV 29 1977

COUNTY CLERK, Dallas County, Texas

RELEASE OF LIEN

DALLAS INTERNATIONAL BANK OF DALLAS

TO

GUS BOWMAN

OFFICE OF: Associates

Lubbock, Texas 79401

PLEASE RETURN TO:

RETURN TO: PIONEER NATIONAL TITLE INSURANCE
1226 Commerce Street
Dallas, Texas 75202
ATT: LEANNE DARR

VOL. PAGE
77230 0956

(Corporate acknowledgment)

THE STATE OF TEXAS }
COUNTY OF }

Before me, the undersigned authority, on this day personally appeared

of

a corporation, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated and as the act and deed of said corporation.

Given under my hand and seal of office on this the day of , A. D. 19

Notary Public in and for County, Texas.

7.00

PNTI FILE NO. 24575-D-GN

NOTICE Prepared by the State Bar of Texas for use by Lawyers only. *To select the proper form, fill in blank spaces, strike out form provisions or insert special terms constitutes the practice of law. No "standard form" can meet all requirements.*

DEED RECORD

NOV-29-77 896603 WD—LS 7.00

SPECIAL

WARRANTY DEED WITH VENDOR'S LIEN

THE STATE OF TEXAS }
COUNTY OF DALLAS } KNOW ALL MEN BY THESE PRESENTS:

That SOL LEVIN, the duly appointed and acting operating Trustee in Cause Nos. BK 3-76-246-F & BK 3-76-290-F, styled "In the Matter of Land Air, Inc. and Precision Drill Pointing, Inc." in the United States District Court for the Northern District of Texas Dallas Division, acting here-** of the County of DALLAS and State of TEXAS for and

in consideration of the sum of TEN AND NO/100----------($10.00)----------DOLLARS

and other valuable consideration to the undersigned paid by the grantee herein named, the receipt of

which is hereby acknowledged, and the further consideration of the sum of THREE HUNDRED THOUSAND AND NO/100 ($300,000.00) DOLLARS, paid to the Grantor herein by Dallas International Bank of Dallas, at the instance and request of the Grantee herein, the receipt of which is hereby acknowledged, as evidence of which said Grantee has executed and delivered its one certain promissory note of even date herewith in the principal sum of THREE HUDRED THOUSAND AND NO/100 ($300,000.00) DOLLARS, payable to the order of Dallas International Bank of Dallas, as therein provided and bearing interest at the rate therein specified and providing for acceleration of maturity in the event of default and for attorney's fees,

** in with full authority and pursuant to an Order Confirming Sale of the below described real property, dated November 15, 1977 and entered by said Court, hereinafter referred to as "GRANTOR",

the payment of which note is secured by the vendor's lien herein retained, and is additionally secured by a deed of trust of even date herewith to ROBERT A. HALL Trustee,

have GRANTED, SOLD AND CONVEYED, and by these presents do GRANT, SELL AND CONVEY unto OKAW INDUSTRIES, INC., a California corporation, hereinafter referred to as "GRANTEE"

of the County of and State of CALIFORNIA, all of the following described real

property in DALLAS County, Texas, to-wit:

Lots 99, 100, 101, & 102 of BURBANK GARDEN ADDITION, an Addition to the City of Grand Prairie, Texas, according to the plat thereof recorded in Volume 5, Page 109, Map Records of Dallas County, Texas.

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DYNCORP 00752

TO HAVE AND TO HOLD the above described premises, together with all and singular the rights and appurtenances thereto in anywise belonging unto the said grantee , itself, its successors ~~heirs~~ and assigns forever; and Grantor does hereby bind himself, his successors ~~heirs, executors and administrators~~ and assigns to itself, its successors ~~heirs~~ and assigns, against every person whomsoever lawfully claiming or to claim the same or any part thereof, by, through and under us only but not otherwise.

WARRANT AND FOREVER DEFEND all and singular the said premises unto the said grantee ,

But it is expressly agreed that the VENDOR'S LIEN, as well as the Superior Title in and to the above described premises, is retained against the above described property, premises and improvements until the above described note and all interest thereon are fully paid according to the face, tenor, effect and reading thereof, when this Deed shall become absolute.

GRANTEE HEREIN ASSUMES PAYMENT OF ALL 1978 TAXES.

EXECUTED this day of NOVEMBER , A. D. 1977

Sol Levin, Trustee

SOL LEVIN, the duly appointed and acting operating Trustee in Cause No. BK 3-76-246-F & BK 3-76-290-F, styled "In the Matter of Land Air, Inc. & Precision Drill Pointing, Inc." in the U.S. District Court for the Northern District of Texas Dallas Division

77230 0059

DYNCORP 00753

(Acknowledgment)

THE STATE OF TEXAS }
COUNTY OF DALLAS }

Before me, the undersigned authority, on this day personally appeared

SOL LEVIN, Trustee in the above Bankruptcy

known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, and in the capacity therein stated.

Given under my hand and seal of office on this the 22nd day of NOVEMBER, A. D. 1977

Notary Public in and for DALLAS County, Texas.

(Acknowledgment)

THE STATE OF TEXAS }
COUNTY OF }

Before me, the undersigned authority, on this day personally appeared

known to me to be the person whose name subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office on this the day of , A. D. 19

Notary Public in and for County, Texas.

(Acknowledgment)

THE STATE OF TEXAS }
COUNTY OF }

Before me, the undersigned authority, on this day personally appeared

known to me to be the person whose name subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office on this the day of , A. D. 19

Notary Public in and for County, Texas.

VOL. PAGE
77230 0960

(Corporate acknowledgment)

THE STATE OF TEXAS }
COUNTY OF }

Before me, the undersigned authority, on this day personally appeared

of

a corporation, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated and as the act and deed of said corporation.

Given under my hand and seal of office on this the day of , A. D. 19

Notary Public in and for County, Texas.

DYNCORP 00754

WARRANTY DEED
WITH VENDOR'S LIEN

SOL LEVIN

TO

OKAW INDUSTRIES, INC.

RETURN TO: MR. ROBERT W. PERKINS
1640 East Carson Street
Carson, California 90745

THE LAW OFFICE OF:

Fred H. Timberlake & Associates
1005 15th Street
Lubbock, Texas 79401

PLEASE RETURN TO:

STATE OF TEXAS COUNTY OF DALLAS
I hereby certify that this instrument was filed on the date and time stamped hereon by me and was duly recorded in the volume and page of the named records of Dallas County, Texas as stamped hereon by me.

NOV 29 1977

L E Murdock
COUNTY CLERK, Dallas County, Texas

77 NOV 28 AM 9:56

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77239 0961

33714

DYNCORP 00755

Deed of Trust

THE STATE OF TEXAS,

COUNTY OF DALLAS

NOV-29-77 896604 DT — I.S 9.00

KNOW ALL MEN BY THESE PRESENTS: That OKAW INDUSTRIES, INC., a California corporation of the County of Riverside, State of CALIFORNIA (hereinafter called "Mortgagor," whether one or more), for and in consideration of the sum of Ten Dollars ($10.00) in hand paid by Robert A. Hall Trustee (hereinafter called "Trustee"), of Dallas County, Texas, the receipt of which is hereby acknowledged, and the further consideration, uses, purposes, and trust herein set forth and declared, has granted, bargained, sold, and conveyed, and by these presents does grant, bargain, sell, and convey unto the said Trustee, and his successors and/or substitutes in the trust, all of the following described real estate situated in the County of DALLAS, State of Texas, to-wit:

See Exhibit "A" attached hereto and incorporated herein.

together with all and singular the tenements, hereditaments and appurtenances to the above described property belonging, or in anywise appertaining to, including all buildings and improvements and other property of every kind, character and description attached thereto or used in connection therewith, or would be attached thereto or to be used in connection therewith, and any and all replacements thereof, and additions thereto, which shall be deemed to be fixtures and an accession to the freehold and a part of the realty as between the parties hereto and all persons claiming by, through or under them, and shall be deemed a portion of the security for the indebtedness herein mentioned and secured by this deed of trust, and all of the property hereinbefore mentioned is hereinafter designated as "mortgaged property." It is hereby agreed that the term "fixtures" as used herein, shall include, but shall not be limited to, all air conditioning and heating facilities or equipment (both heating and cooling, central or otherwise), lighting, electrical and plumbing fixtures, cabinets, venetian blinds and other window shades, wall-to-wall carpeting and other floor coverings, hot water heaters, built in stoves and ranges, refrigerators, dishwashers, garbage disposal units, clothes washers and driers, and all other appliances whether similar or dissimilar, now or hereafter attached to or used in connection with the above described premises as well as all betterments and additions thereto and replacements thereof. It is agreed that this Deed of Trust is intended to grant to Trustee, in trust for mortgagee a security interest in all goods which are or are to become fixtures as such items are deemed and/or defined herein, and this Deed of Trust is filed to perfect such security interest pursuant to the Texas Business and Commerce Code.

TO HAVE AND TO HOLD the above described property, together with all the rights, hereditaments, fixtures, and appurtenances in anywise belonging or appertaining thereto, unto the said Trustee, his successors and substitutes, in trust, forever.

Mortgagor covenants with said Trustee and Mortgagee that Mortgagor is lawfully seized in fee of the mortgaged property; that said property is free from all encumbrances and liens whatsoever, except such as are herein specifically referred to; that Mortgagor has a good and legal right to sell and convey the same to Trustee; that Mortgagor will warrant and defend the title to said property unto Trustee forever against the claims and demands of any person or persons whomsoever; and Mortgagor will execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, all and every such further assurances in law for the better assuring, conveying, assigning and transferring unto said Trustee, all and singular, the mortgaged property hereby conveyed, assigned, or transferred, or intended so to be, or which Mortgagor may be or hereafter become bound to convey, assign, or transfer to Trustee in such manner as either the Trustee or Mortgagee hereunder shall require.

This conveyance is made in trust, however, to secure and enforce the payment of one promissory note hereinafter referred to as "note", whether one or more) of even date herewith, executed by Mortgagor, payable to the order of Dallas International Bank, Dallas, Texas (hereinafter called "Mortgagee"), described as follows, to-wit:

Being in the principal sum of $300,000.00, payable as follows: $25,000.00 principal plus interest due on or before December 31, 1977 and $27,500.00 principal plus interest due semi-annually thereafter until fully paid, or on demand.

This deed of trust shall not only secure the payment of the said note above described, but also all funds hereinafter advanced by Mortgagee to the Mortgagor for the benefit or account of Mortgagor pursuant to any covenant or agreement herein contained or for any other purpose, and all other indebtedness now owing or hereafter to become owing the Mortgagee by Mortgagor, whether such indebtedness is direct, contingent, primary, or secondary and whether it is evidenced by note or otherwise. Money advanced by the Mortgagee for the benefit or account of Mortgagor, as herein provided, as well as all other indebtedness hereafter owing by Mortgagor to Mortgagee shall be payable to Mortgagee at the same place where the said note above described is payable, and shall bear interest at the same rate per annum that said note bears from date of accrual of said indebtedness until paid. All funds advanced by the Mortgagee to the Mortgagor, or for the benefit or account of Mortgagor, as herein provided, shall be payable immediately, without demand, to the Mortgagee. If the note or any other indebtedness secured hereby shall be collected by legal proceedings or through the probate or bankruptcy court, or shall be placed in the hands of an attorney for collection after its maturity, whether matured by the expiration of time or by the exercise of the option given to the Mortgagee to mature it, the Mortgagor agrees that a sum equal to ten percent (10%) of the principal then unpaid and all interest then earned, shall be paid to the Mortgagee as attorney's or collection fees, which shall be a part of the indebtedness secured hereby. This deed of trust shall also secure, in addition to the note and indebtedness above described, all notes given in renewal and extension of any such indebtedness, without the execution by the Mortgagor of any additional extension agreement or renewal deed of trust; provided, however, the Mortgagee shall not be obligated in any respect to renew or extend said indebtedness or any part thereof.

For the purpose of securing the payment of any and all of the indebtedness secured hereby, Mortgagor hereby covenants and agrees with Mortgagee and the said Trustee as follows:

Mortgagor will not sell or convey the mortgaged property unless the purchaser or grantee, in writing, of record, assumes the payment of all indebtedness secured hereby, but no such sale or conveyance shall in any way relieve the Mortgagor of its primary liability for the payment of said indebtedness to the Mortgagee.

Mortgagor will, while any of the indebtedness secured hereby remains unpaid, pay, at least ten days before they become delinquent, all taxes (both general and special), assessments and governmental charges lawfully levied or assessed against the mortgaged property or any part thereof; will promptly furnish the Mortgagee with receipts showing such payments, except when payments are made by Mortgagee as hereinafter provided; and will allow no payment of any taxes, assessments or governmental charges by a third party with subrogation attaching, nor permit the mortgaged property, or any part thereof, to be sold or forfeited for any tax, assessment or governmental charge whatsoever. Any irregularities or defects in the levy or assessment of taxes, assessments and governmental charges paid by the Mortgagee are hereby expressly waived, and receipt by the proper officer shall be conclusive evidence both as to the amount and validity of same.

Mortgagor will keep the buildings and other insurable property, now or hereafter erected or placed in or on said mortgaged property, insured as required by the Mortgagee against loss or damage by fire or other hazards, casualties and contingencies, and will carry any other kinds of insurance in such amounts and for such periods as may from time to time be required by the Mortgagee, and not less than five days prior to the expiration of any policy of insurance Mortgagor will deliver to Mortgagee renewals or new policies in like amounts covering the same risks. All insurance shall be carried in insurance companies approved by Mortgagee, and the policies shall include a provision making loss payable to Mortgagee as its interest may appear. All policies of insurance shall be delivered to and held by Mortgagee, and Mortgagor will pay promptly when due all premiums for such insurance. Should any loss occur to the insured property, the Mortgagee is hereby appointed attorney in fact for the Mortgagor to make proof of loss if Mortgagor fails to do so promptly, and to receipt for any sums collected under said policies, which said sums or any part thereof, at the option of the Mortgagee, may be applied as payment on the indebtedness hereby secured, or to the restoration or repair of the property so destroyed or damaged. Mortgagor promptly will give notice by mail to the Mortgagee of any loss or damage to the mortgaged property and will not adjust or settle such loss without the written consent of the Mortgagee. In the event of foreclosure of this deed of trust by court action or under power of sale, all right title and interest of Mortgagor in and to any insurance policy then in force shall pass to the purchaser at the foreclosure sale, and Mortgagee is hereby appointed attorney in fact for the Mortgagor to assign and transfer said policies.

Mortgagor will maintain the property free from waste or nuisance of any kind and in good condition, and make all repairs, replacements, improvements and additions which may be necessary to preserve and maintain the mortgaged property and the value thereof; will comply with all laws, ordinances and regulations affecting said property, or its use; will not alter, destroy or remove any of the buildings, improvements, or property covered by this deed of trust, or permit the same to be altered, destroyed or removed, or used for any purpose other than that for which it is now used, without first obtaining the permission in writing of the Mortgagee; will complete in a good workmanlike manner any building which is being or may be constructed or repaired thereon; will pay when due all claims for labor performed and material furnished, and will not permit any lien of mechanics or materialmen to attach to the mortgaged property. Mortgagor will pay when due all claims of third parties on fixtures which may be added to the mortgaged property, and will not permit any such property to be removed by reason of such non-payment pursuant to a security interest perfected prior to attachment to the mortgaged property; Mortgagor shall be contractually bound to repair any damage to the freehold occasioned by such removal of fixtures or, if the Mortgagee elects to make or pay for such repairs, Mortgagor shall be bound to repay Mortgagee for such costs, and such additional indebtedness shall be secured by this deed of trust. Mortgagor will permit Mortgagee, its agents or representatives, to inspect the mortgaged property at any time, and will comply with any requirements made by Mortgagee with respect to the mortgaged property or the management thereof.

Mortgagor transfers, assigns, conveys, and sets over to the Mortgagee all rents, revenues and incomes (including, but not limited to, the proceeds of all oil, gas, casinghead gas, condensate, and other liquefiable hydrocarbons produced from the mortgaged property, the proceeds of all bonus monies on oil and gas leases hereafter executed by the Mortgagor and all delay rentals hereafter payable to Mortgagor on oil and gas leases) from the mortgaged property hereafter accruing, as additional security for the payment of the indebtedness hereby secured, and Mortgagee is hereby granted a prior, paramount and continuing lien upon all of said rents, revenues and incomes; provided, however, that this assignment may be exercised by the Mortgagee only after default has been made by the Mortgagor hereunder. All rents, revenues, and incomes collected from the mortgaged property by Mortgagee shall be applied to the credit of the indebtedness secured hereby, regardless of whether or not same has matured, less all collected expenses actually incurred. Mortgagee is hereby granted the right, at its option, to take possession of, and to manage the mortgaged property without declaring the indebtedness immediately due and payable if, in Mortgagee's judgment, such management is necessary to cure any default in the covenants contained herein, and such right shall continue until such default is cured and there exists no appreciable danger of its recurrence. Exercise of this right shall not diminish Mortgagor's liability except to the extent that rents and revenues, after payment of expenses of operation and payments required by covenants of this instrument, are applied to the indebtedness. Nor shall such exercise bar acceleration of the indebtedness secured hereby if, after Mortgagee takes possession, it is unable to cure the default and return possession to the Mortgagor.

All judgments, decrees and awards for injury or damage to the mortgaged property and all awards pursuant to proceedings for condemnation thereof are hereby assigned in their entirety to Mortgagee who may apply the same to the indebtedness secured hereby, in such manner as it may elect, and Mortgagee is hereby authorized in the name of the Mortgagor to execute and deliver valid acquittances for, and to appeal from, any such award, judgment or decree.

Should the title of the Trustee to the mortgaged property, or any part thereof, be in danger or be attacked, directly or indirectly, Mortgagor hereby authorizes the Mortgagee, at its sole option, (but Mortgagee shall be under no obligation to do so) to take all necessary and proper steps for the defense of said title at the expense of

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DYNCORP 00756

mortgagor, including the employment of counsel, prosecution or defense of any litigation, and the compromise or discharge of claims made against said title, and all monies advanced or paid by said Mortgagee under this clause shall be secured by this deed of trust, and be immediately due and payable, together with interest thereon at the rate of ten percent (10%) per annum.

Should the value of the mortgaged property substantially decline, or the financial condition of the Mortgagor so deteriorate as to cause reasonable doubt as to his solvency, or should any other event occur or condition develop, whether similar or dissimilar to those set out heretofore, by reason of which the Mortgagee deems itself insecure, then the principal amount of all indebtedness secured hereby, together with the interest earned may, at the option of the Mortgagee, be declared to be (and shall thereupon become) immediately due and payable.

Should the Mortgagor fail to pay, as hereinafter stipulated, all taxes, assessments, liens or governmental charges, or, when due any other charges or amounts of any kind herein assumed or agreed to be paid by the Mortgagor under the terms of this deed of trust, or to insure the property and pay the premiums therefor, then the Mortgagee may, at its option, either pay or not pay, any such unpaid taxes, assessments, liens, governmental charges, any other charges or amounts, and insure, or not insure, any part or all of the mortgaged property and pay the premium therefor, and whether or not it make any such advances, it may, without notice, at its option, declare the whole principal then unpaid and all interest then accrued which are secured by this deed of trust to be due and payable. All taxes, assessments, liens, governmental charges, insurance premiums or other sums paid by Mortgagee, and all necessary expenses incurred in connection therewith, or in seeking to have this deed of trust reformed by judicial proceedings, when necessary in the opinion of the Mortgagee, shall constitute a part of the indebtedness secured by this deed of trust and be immediately due and payable without demand, together with interest thereon at the rate of ten percent (10%) per annum.

Now, if Mortgagor shall make, when due, all payments provided for in said note, shall pay all sums expended or advanced by Mortgagee hereunder, shall pay all other indebtedness hereby secured, and keep and perform all the covenants, conditions and agreements herein set out, then this conveyance shall become null and void and be released upon demand at the cost and expense of Mortgagor; otherwise it shall remain in full force and effect.

But in case Mortgagor defaults in the prompt payment of said note, or any installment thereof, or any interest thereon when due, or in case of the failure or default on the part of the Mortgagor to keep or perform any of the covenants or agreements herein contained, or on the failure immediately to repay advances made to or amounts expended for the benefit of Mortgagor by Mortgagee, as herein provided, or on failure to pay, when due, all other indebtedness hereby secured, or in the event Mortgagor or any person liable for the indebtedness secured hereby, or any part thereof, files a voluntary petition in bankruptcy, makes an assignment for the benefit of any creditor, or is declared bankrupt or insolvent, or if a debtor's or collector's petition affecting the mortgaged property filed pursuant to the provisions of the Bankruptcy Act, as amended, is approved, or if the mortgaged property is placed under control or in the custody of any court, or if the Mortgagor abandons any of the mortgaged property, or if the Mortgagor, his successors or assigns, sells or conveys all or any part of the mortgaged real property without having the purchaser or grantee expressly assume in writing, of record, the payment of all indebtedness secured hereby (the happening of any one of which events shall constitute a default hereunder), then, upon the happening of any one of said events (or if otherwise authorized by any other provision of this deed of trust), the whole of the principal indebtedness secured hereby then remaining unpaid, together with interest then earned, at the option of the Mortgagee, or the holder thereof, shall become immediately due and payable, and at the request of said Mortgagee or the holder of said indebtedness, which request is hereby presumed, said Trustee, or his successor or substitute appointed hereunder, is hereby authorized and empowered to sell the mortgaged property at public auction to the highest bidder for cash in front of the door of the courthouse of any county wherein the real property hereby mortgaged or some part or parcel thereof may be situated (whether the parts or parcels thereof, if any, in different counties are contiguous or not and without the necessity of having any of the personal property hereby mortgaged present at such sale) on the first Tuesday in any month between the hours of ten o'clock a.m. and four o'clock p.m., after advertising the time, place and terms of the sale for at least three (3) consecutive weeks prior to the date of sale, by posting or causing to be posted written or printed notices thereof at three (3) public places in each county wherein the real property hereby mortgaged or any part thereof is situated, one of which shall be at the courthouse door of each such county. Mortgagee agrees that at the time of the posting of any foreclosure notice pursuant to the provisions above, Mortgagee shall mail a copy of such notice by certified mail to Mortgagor's address shown below. The legal owner or owners of the indebtedness secured hereby, or any part thereof, shall have full, free and unrestricted right to purchase the mortgaged property, or any part thereof, or any interest therein, if they be the highest bidder therefor at such sale.

It is agreed that the said Trustee, or his successor or substitute, may sell said mortgaged property either as a whole, or in lots or parcels, as may seem expedient to either said Trustee or the Mortgagee (all rights to the marshalling of the assets of Mortgagor, including the property hereinabove described, being expressly and specifically waived herein by Mortgagor, on behalf of himself, his heirs, assigns and legal representatives) and after said sale as aforesaid, said Trustee, or his successor or substitute, shall make, execute and deliver to the purchaser or purchasers thereof, good and sufficient warranty deed or deeds to the property so sold in fee simple, and shall receive the proceeds of said sale and out of same shall make application thereof as hereinafter provided, whether said property be sold as a whole or in lots or parcels. It is further specifically agreed that should the said Trustee, his successor or substitute, elect to sell said property in lots of parcels separately, in any such event this instrument and the lien herein created shall remain in full force and effect as to the remaining unsold portion or portions of said property, and the said Trustee, his successor or substitute, shall have the right to exercise his privilege and powers under this instrument to advertise or readvertise any remaining unsold lots or parcels of said property on any subsequent sale date from time to time until the property herein mortgaged has all been sold, or until the entire indebtedness secured hereby is fully paid.

The Trustee making any sale as herein provided shall receive the proceeds thereof and apply the same in the following order: First, to the payment of all expenses of executing this trust, including a minimum fee of ten dollars ($10.00) to the Trustee, but if the mortgaged property sells for more than $500.00, then in lieu of the minimum fee a commission of five percent (5%) of the amount realized at the sale, but in no event to exceed a maximum fee of $100.00 to the Trustee; second, to the payment of all sums, if any, which have been expended or incurred by the Mortgagee hereunder including attorney's fees; third, to the payment of the amount of interest due to the date of sale; fourth, to the payment of principal due; fifth, the remainder, if any, shall be paid to the Mortgagor, or his heirs, successors, assigns, or legal representatives.

In the event of a foreclosure under the powers herein granted, the Mortgagor or any person, firm, co-partnership or corporation, in possession of the mortgaged property under the Mortgagor shall thereupon become and be a tenant at will of the purchaser at such foreclosure sale, and should such tenant refuse to surrender possession of said mortgaged property on demand, the purchaser shall thereupon be entitled to institute and maintain a statutory action for forcible entry and detainer and procure a writ of possession thereunder.

It is expressly agreed, understood and stipulated that the recitals in any conveyance to any purchaser or purchasers under any sale made by the Trustee, his successor or substitute, under this deed of trust shall be full evidence of the truth of the matters therein stated and it shall be conclusively presumed that all prerequisites to a valid sale hereunder have occurred and have been performed as herein provided.

In case of absence, death, inability, refusal or failure of the Trustee herein named to act, or in case he should resign (and he is hereby authorized to resign), a substitute trustee may be named, constituted and appointed by Mortgagee or other holder of said indebtedness, without other formality than an appointment and designation in writing; and this conveyance shall vest in such substitute trustee so appointed and designated the estate in and title to all of said mortgaged property, and such substitute trustee so appointed and designated shall thereupon hold, possess and exercise all the title, rights, powers and duties herein conferred on said Trustee named, and his conveyance to the purchaser at such sale shall be equally valid and effective as if made by such named Trustee; and such right to appoint a substitute trustee shall exist and may be exercised as often and whenever for any of said causes, any trustee, original or substitute, cannot or will not act. If the holder of the indebtedness secured hereby is a bank, the appointment of such substitute trustee may be made by the president, or cashier, or assistant cashier, or by any person thereunto authorized in writing by any such officer of Mortgagee.

No security hereinbefore, herewith or subsequently taken by Mortgagee shall in any manner impair or affect the security given by this instrument or any security by endorsement or otherwise previously given; and all security shall be taken, considered and held as cumulative.

Mortgagee may, at any time without notice to any person liable for any of the indebtedness secured hereby, deal in any way with Mortgagor, or grant to Mortgagor any indulgences or forbearances or any extension for the time of payment of any indebtedness secured hereby, or may release portions of the mortgaged property from the lien hereof without affecting the personal liability of any such person for the payment of the indebtedness secured hereby and without affecting the lien of this deed of trust upon the remainder of the mortgaged property.

The Mortgagor expressly waives and renounces the benefits of all laws now existing or that may hereafter be enacted for any appraisement before sale of any of the mortgaged property, commonly known as Appraisement Laws and also all the benefits of all laws that may be hereafter enacted in any way extending the time for the enforcement of the collection of the indebtedness hereby secured or creating or extending a period of redemption from any sale made in collecting said indebtedness, commonly known as Stay Laws and Redemption Laws, and the Mortgagor hereby agrees that the laws of the State of Texas, save as above excepted, now in force relative to the collection of the indebtedness hereby secured are expressly adopted and made a part hereof.

No agreements, conditions, provisions, or stipulations contained in this deed of trust, or the note secured hereby, or default of the Mortgagor, or the exercise by the Mortgagee, or its successors or assigns, of the right to accelerate the payment of the maturity of principal or interest of the indebtedness, or to exercise any option whatsoever contained in said note or in this deed of trust, or the arising of any contingency whatsoever, shall entitle the Mortgagee, its successors or assigns, to collect, in any event, interest on the principal indebtedness secured hereby exceeding _____% per annum, and in no event shall the Mortgagor be obligated to pay interest exceeding such rate of _____% per annum, and all such agreements, conditions, or stipulations, if any, which may in any event or contingency whatsoever operate to bind, obligate, or compel the Mortgagor to pay a rate of interest exceeding _____% per annum on said principal indebtedness shall be without binding force or effect at law or in equity to the extent only of the excess of interest over such _____% per annum. It is the intention of the Mortgagor and Mortgagee that in the construction and interpretation of this deed of trust and the note secured hereby, the foregoing sentence shall be given precedence over any other agreement, condition, or stipulation herein contained which is in conflict with same.

Mortgagor hereby declares and represents to Mortgagee that the mortgaged property forms no part of any property by Mortgagor owned, used or claimed as a business or resident homestead under the laws of the State of Texas.

The respective addresses of Mortgagor, Mortgagee and Trustee with respect to any notice to be mailed pursuant hereto or any information required to be given pursuant to the Texas Business and Commerce Code are:

The Note secured hereby is primarily secured by the Vendor's Lien retained in the Deed of even date herewith Mortgagor: conveying the Property to Borrower, which Vendor's Lien has been assigned to Lender, this Deed of Trust being additional security therefor.

Roberts Perkins, President, Okard Industries, Inc.

Mortgagee (Secured Party)

Robert A. Hall

Trustee

by Robert A. Hall

The terms used to designate any of the parties herein, shall be deemed to include the heirs, representatives, successors and assignees of such parties; and the term "Mortgagee" shall also include any lawful owner, holder, or pledgee of any indebtedness secured hereby. Whenever the context hereof requires, reference herein made to the singular number shall be understood as including the plural, and likewise the plural shall be understood as including the singular; words denoting sex shall be construed to include the masculine, feminine and neuter, when such construction is appropriate; and specific enumeration shall not exclude the general, but shall be considered as cumulative.

Every right and remedy provided in this deed of trust shall be cumulative of every other right or remedy of Mortgagee, whether herein or by law conferred, and may be enforced concurrently therewith, and the unenforceability or invalidity of any one or more provisions, clauses, sentences, and/or paragraphs of this deed of trust shall not render any other provisions, clauses, sentences and/or paragraphs herein contained unenforceable or invalid.

EXECUTED this 22nd day of NOVEMBER, 1977

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DYNCORP 00757

MORTGAGOR:

OKAW INDUSTRIES, INC.

X BY: Robert W. Perkins, Pres.
ROBERT W. PERKINS, PRESIDENT

Trustee

Mortgagee (Secured Party)

SINGLE ACKNOWLEDGMENT

STATE OF
COUNTY OF } ss.

BEFORE ME, the undersigned authority, on this day personally appeared _____, known to me to be the person ____ whose name ____ subscribed to the foregoing instrument of writing, and acknowledged to me that ____ executed the said instrument for the purposes and consideration therein expressed.

GIVEN under my hand and seal of office, this the ____ day of _____ A. D. 19____

Notary Public in and for

_____ County, State of _____

SINGLE ACKNOWLEDGMENT

STATE OF
COUNTY OF } ss.

BEFORE ME, the undersigned authority, on this day personally appeared _____, know to me to be the person ____ whose name ____ subscribed to the foregoing instrument of writing, and acknowledged to me that ____ executed the said instrument for the purposes and consideration therein expressed.

GIVEN under my hand and seal of office, this the ____ day _____ A. D. 19____

Notary Public in and for

_____ County, State of _____

CORPORATE ACKNOWLEDGMENT

STATE OF
COUNTY OF DALLAS } ss.

BEFORE ME, the undersigned authority, on this day personally appeared ROBERT W. PERKINS, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed and in the capacity therein stated as the act and deed of OKAW INDUSTRIES, INC.

GIVEN under my hand and seal of office, this the 22 day of November A. D. 19 77

Notary Public in and for Dallas County, Texas

Dallas County, State of Texas

STATE OF TEXAS
COUNTY OF } ss.

I HEREBY CERTIFY that the foregoing instrument of writing, with its certificate of authentication, was filed for record in my office on the ____ day of ____ A. D. 19____, at ____ o'clock ____ M. and was duly recorded by me on the ____ day of ____ A. D. 19____ in vol. ____ page ____, of the Records of Mortgages and Deeds of Trust of said County.

WITNESS MY HAND and the Seal of the County Court of said County, at my office in ____ the day and year last above written.

(L.S.)

County Clerk ____ County, Texas

By _____

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EXHIBIT A

Lots 99, 100, 101, and 102 of BURBANK GARDEN ADDITION, an Addition to the City of Grand Prairie, Texas, according to the plat thereof recorded in Volume 5, Page 109, Map Records of Dallas County, Texas.

STATE OF TEXAS COUNTY OF DALLAS

I hereby certify that this instrument was filed on the date and time stamped hereon by me and was duly recorded in the volume and page of the named records of Dallas County, Texas as stamped hereon by me.

NOV 29 1977

L. E. Murdoch

COUNTY CLERK, Dallas County, Texas

RETURN TO: DALLAS INTERNATIONAL BANK
1226 Commerce Street
Dallas, Texas 75202

ATT: ROBERT A. HALL

FILED FOR RECORD
Tide 28 day of Nov
19 77 at 9:56 o'clock A M
L. E. Murdoch, County Clerk
Dallas County, Texas
By Mary Levamond Deputy

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Uniform Commercial Code—FINANCING STATEMENT—Form UCC-1 (Rev. 9-71)

THE ODEE COMPANY, PUBLISHERS, DALLAS, TEXAS 75201

DEED OF TRUST

IMPORTANT—Read instructions on back before filling out form

This Financing Statement is presented to a Filing Officer for filing pursuant to the Uniform Commercial Code

3. Maturity Date (if any):

1. Debtor(s) (Last name first) and Mailing Address:
OKAW INDUSTRIES, INC. &
ROBERT W. PERKINS, INDIVIDUALLY
114 N.E. 28th
Grand Prairie, Texas 75050

2. Secured Party(ies) Name and Address:
DALLAS INTERNATIONAL BANK
1226 Commerce Street
Dallas, Texas 75202

4. For Filing Officer (Date, Time, Number and Filing Office):

5. This Financing Statement covers the following types (or items) of collateral. (WARNING: If collateral is crops or fixtures, read instructions on back.) All inventory, equipment, machinery, furniture, fixtures, improvements, personal property, air conditioning, plumbing, heating, electrical, lighting and floor coverings, cabinets, shades, blinds, and building materials, and all additions, accessions and substitutions thereto or therefor, now or hereafter attached to or located in or about the buildings erected or to be erected upon the following-described real estate, located in the City of Grand Prairie, County of Dallas, State of Texas, to wit: Lots 99, 100, 101, & 102 of BURBANK GARDEN ADDITION, an Addition to the City of Grand Prairie, Texas according to the plat thereof recorded in Vol.5, Pg. 109, Map Records of Dallas County, Texas.

6. Name and Address of Assignee of Secured Party: (Use this space to describe collateral, if needed)

Check ☒ if covered: ☒ Proceeds of collateral are also covered. ☐ Products of collateral are also covered. Number of additional sheets presented

7. This Statement is filed without the Debtor's signature to perfect a security interest in collateral (Please check appropriate box)
☐ already subject to a security interest in another jurisdiction when it was brought into this state, or
☐ which is proceeds of the original collateral described above in which a security interest was perfected, or
☐ already subject to a financing statement filed in another county, or
☐ already subject to a pre-code perfected security interest.

PAGE

OKAW IND. INC.

BY: Robert W. Perkins Pres

ROBERT W. PERKINS, PRESIDENT

77230 0966

By Robert W. Perkins

ROBERT W. PERKINS, INDIVIDUALLY

Signature(s) of Debtor(s)

By Robert A. Hall

Signature(s) of Secured Party(ies)

(1) Filing Officer Copy—Numerical NOV-29-77 896605 DT—LS 6.00

STANDARD FORM — FORM UCC-1 (REV. 9-71) APPROVED BY SECRETARY OF STATE OF TEXAS—THE ODEE COMPANY, DALLAS, TEXAS 75201

FILED
L.E. Murdoch
'77 NOV 28 AM 9:57

STATE OF TEXAS COUNTY OF DALLAS
I hereby certify that this instrument was filed on the date and time stamped hereon by me and was duly recorded in the volume and page of the named records of Dallas County, Texas as stamped hereon by me.

NOV 29 1977

L.E. Murdoch
COUNTY CLERK, Dallas County, Texas

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ACS/TRC DALLAS Doc: 000896605 Date: 11/28/1977 Vol: 0077230 Page: 00966 Page: 2 Of 2

DYNCORP 00761

196—RELEASE OF LIEN (By Corporation) Texas Standard Form

The State of Texas,
County of DALLAS

DEED RECORD

Know All Men by These Presents:

That in consideration of the payment in full according to the face and tenor thereof, of one certain promissory note in the original principal sum of $25,000.00, dated February 18, 1969, executed by Land-Air, Inc., a corporation, and by Pat Rutherford and Ralph W. Smartt in their individual capacities, payable to the order of State Reserve Life Insurance Company, a corporation, bearing interest as therein stipulated and being due and payable as therein provided, which note is secured by and

described in a certain Deed of Trust
executed by Land-Air, Inc.
to G. A. Comer, Trustee, for the benefit of State Reserve Life Insurance Company,
dated the 18th day of February, 19 69, and recorded in Vol. 69036 on
page 2248 of the records of Deeds of Trust of Dallas County, Texas.

State Reserve Life Insurance Company,
a Corporation, duly organized and existing under the Laws of the State of Texas
the owner and holder of said note, does hereby release the Deed of Trust
lien shown by said instrument to exist upon the following described property, to secure payment of said note, viz.:

Lots 101 and 102, Burbank Gardens No. 1 Addition, an addition to the City of Grand Prairie, Texas, according to the Map thereof recorded in Volume 5, Page 109, Map Records, Dallas County, Texas.

IN WITNESS WHEREOF, the said Corporation has caused these presents to be signed by its duly authorized officers and to be sealed with the Seal of the Corporation, at Fort Worth, Texas,
this 20th day of December, A. D. 19 77.

STATE RESERVE LIFE INSURANCE COMPANY

Attest: John Dan Neely Asst. Secretary.

(Seal)

By E. W. Washington President.

CORPORATION ACKNOWLEDGMENT

THE STATE OF TEXAS,
COUNTY OF TARRANT

78049 0633

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared E. W. Washington, President of State Reserve Life Insurance Company, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the said State Reserve Life Insurance Company, a corporation, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 20th day of December A. D. 19 77.

(L. S.)

Notary Public in and for Tarrant County, Texas.

ACS/TRC DALLAS Doc: 000545202 Date: 03/13/1978 Vol: 0078049 Page: 00633 Page: 1 Of 2

ACS/TRC DALLAS Doc: 000545202 Date: 03/13/1978 Vol: 00780049 Page: 00633 Page: 2 of 2

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Release of Lien

(BY CORPORATION)

FROM

STATE RESERVE LIFE INSURANCE COMPANY

TO

LAND-AIR, INC.

FILED FOR RECORD

This ..... day of ..... A. D. 19 ....

at ..... o'clock ..... M.

..... County Clerk.

By ..... Deputy.

RECORDED

..... A. D. 19 ....

In ..... County Records

In Book ..... , on Page .....

..... County Clerk.

By ..... Deputy.

Recording Fee $ .....

This instrument should be filed immediately with the County Clerk for record.

Return to:
Judge Robert A. Hall
Dallas International Bank
1226 Commerce, Dallas, Tx.

Sappington Printing Co., P. O. Box 43, Fort Worth 1, Texas

STATE OF TEXAS
COUNTY OF DALLAS
I hereby certify that this instrument was FILED on the date and at the time stamped hereon by me and was duly recorded in the Volume and Page of the named records of Dallas County, Texas as stamped hereon by me.

MAR 14 1973

COUNTY CLERK, Dallas County, Texas

FILED
'78 MAR 13 AM 10:09
COUNTY CLERK
DALLAS COUNTY

DYNCORP 00763

PNTI FILE NO. 43774-D-JF

DEED RECORD

RELEASE OF LIEN

A 2097 0 3.00 DEED 1 02/22/80

THE STATE OF TEXAS §
§ KNOW ALL MEN BY THESE PRESENTS:
COUNTY OF DALLAS §

THAT the undersigned, of the County of Dallas, and State of Texas, the present legal and equitable owner and holder of that one certain promissory note in the principal sum of $292,801.94 dated November 23, 1979, executed by Okaw Industries, Inc., payable to the order of Dallas International Bank, more fully described in a Deed of Trust, duly recorded in Vol. 77230 page 0962 of the Deed of Trust Records of Dallas County, Texas; said note being secured by a deed of trust lien against the following described property, to-wit:

Lots 99, 100, 101 and 102 of BURBANK GARDEN ADDITION, an Addition to the City of Grand Prairie, Texas, according to the plat thereof recorded in Volume 5, Page 109, Map Records of Dallas County, Texas.

for good and valuable consideration paid to the undersigned the receipt and sufficiency of which is hereby acknowledged, hereby RELEASES and DISCHARGES the above described property from said lien or liens.

EXECUTED this 19 day of February, 1980.

DALLAS INTERNATIONAL BANK

By Hubert D. Aaron
SENIOR VICE-PRESIDENT

STATE OF TEXAS §
§
COUNTY OF DALLAS §

BEFORE ME, the undersigned authority, on this day personally appeared Hubert D. Aaron of Dallas International Bank, a banking association, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed same for the purposes and consideration therein expressed, in the capacity therein stated and as the act and deed of said association.

Given under my hand and seal of office on this the 19th day of February, 1980.

Notary Public in and for Dallas County, Texas

My Commission Expires:
11/15/80

80038 0801

ACS/TRC DALLAS Doc: 000382097 Date: 02/21/1980 Vol: 0080038 Page: 00801 Page: 1 Of 2

RETURN TO:

Mr. Robert W. Perkins
Okaw Industries, Inc.
1640 E. Carson St.
Carson, California 90745

FEB 22 1980

L.E. Murdock

COUNTY CLERK, Dallas County, Texas

'80 FEB 21 PM 9:43

80038 0802

FILED

COUNTY CLERK
DALLAS COUNTY

L.E. Murdock

ACS/TRC DALLAS Doc: 000382097 Date: 02/21/1980 Vol: 0080038 Page: 00801 Page: 2 Of 2

PNTI FILE NO. 43774-D-JF

WARRANTY DEED

DEED RECORD

THE STATE OF TEXAS §
§ KNOW ALL MEN BY THESE PRESENTS:
COUNTY OF DALLAS §

3.00 DEED
2098 0 1 02/22/80

That OKAW INDUSTRIES, INC., a California Corporation for and in consideration of the sum of ten and no hundreths DOLLARS and other valuable consideration to the undersigned paid by the grantee herein named, the receipt of which is hereby acknowledged, has GRANTED, SOLD AND CONVEYED, and by these presents does GRANT, SELL AND CONVEY unto David B. Lilly Company, Inc., a Delaware Corporation, the following described real property in Dallas County, Texas, to-wit:

Lots 99, 100, 101 and 102 of BURBANK GARDEN ADDITION, an Addition to the City of Grand Prairie, Texas, according to the plat thereof recorded in Volume 5, Page 109, Map Records of Dallas County, Texas.

TO HAVE AND TO HOLD the above described premises, together with all and singular the rights and appurtenances thereto in anywise belonging, unto the said grantee, its successors and assigns forever; and it does hereby bind its successors and assigns to WARRANT AND FOREVER DEFEND all and singular the said premises unto the said grantee, its successors and assigns, against every person whomsoever lawfully claiming or to claim the same of any part thereof.

EXECUTED this 19th day of February, A.D. 1980.

OKAW INDUSTRIES, INC.

By Robert W. Perkins
Robert W. Perkins
President

STATE OF TEXAS §
§
COUNTY OF DALLAS §

Before me, the undersigned authority, on this day personally appeared Robert W. Perkins, President of Okaw Industries, Inc., a corporation known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated and as the act and deed of said corporation.

Given under my hand and seal of office on this the 19th day of February, 1980.

My Commission Expires:
11/15/80

Notary Public in and for
County, Texas

80038 0803

DYNCORP 00766

RETURN TO:

Deirdre B. Ruckman
Gardere, Wynne & Jaffe
1700 Republic National Bank Bldg.
Dallas, Texas 75201

STATE OF TEXAS COUNTY OF DALLAS
I hereby certify that this instrument was filed on the date and time stamped hereon by me and was duly recorded in the volume and page of the named records of Dallas County, Texas as stamped hereon by me.

FEB 22 1980

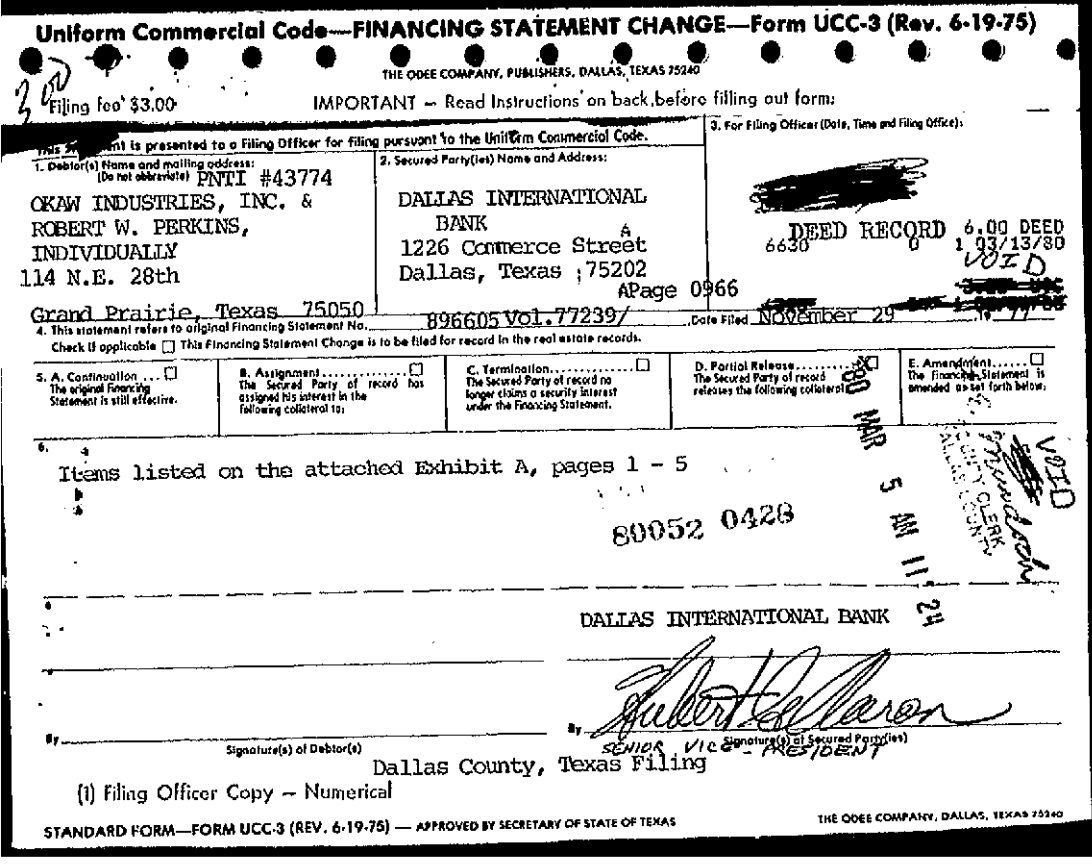
COUNTY CLERK, Dallas County, Texas

80038 0804

'80 FEB 21 PM 9:43

FILED
COUNTY CLERK
DALLAS COUNTY

ACS/TRC DALLAS Doc: 000382098 Date: 02/21/1980 Vol: 0080038 Page: 00803 Page: 2 Of 2



Uniform Commercial Code—FINANCING STATEMENT CHANGE—Form UCC-3 (Rev. 6-19-75)

THE ODEE COMPANY, PUBLISHERS, DALLAS, TEXAS 75240

3.00 Filing fee $3.00

IMPORTANT — Read Instructions on back before filling out form:

This Statement is presented to a Filing Officer for filing pursuant to the Uniform Commercial Code.

1. Debtor(s) Name and mailing address: (Do not abbreviate) PNTI #43774
OKAW INDUSTRIES, INC. &
ROBERT W. PERKINS,
INDIVIDUALLY
114 N.E. 28th
Grand Prairie, Texas 75050

2. Secured Party(ies) Name and Address:
DALLAS INTERNATIONAL
BANK
1226 Commerce Street
Dallas, Texas 75202

3. For Filing Officer (Date, Time and Filing Office):
[redacted]
DEED RECORD 6.00 DEED
6630 0 1 03/13/80
VOID
APage 0966

4. This statement refers to original Financing Statement No. 896605 Vol.77239/ Date Filed November 29 19 77

Check if applicable ☐ This Financing Statement Change is to be filed for record in the real estate records.

5. A. Continuation ☐ The original Financing Statement is still effective.	B. Assignment ☐ The Secured Party of record has assigned his interest in the following collateral to:	C. Termination ☐ The Secured Party of record no longer claims a security interest under the Financing Statement.	D. Partial Release ☒ The Secured Party of record releases the following collateral:	E. Amendment ☐ The Financing Statement is amended as set forth below:

6. Items listed on the attached Exhibit A, pages 1 - 5

80 MAR 5 AM 11 24

80052 0428

VOID
Mundoch
COUNTY CLERK
DALLAS COUNTY

DALLAS INTERNATIONAL BANK

By _____ Signature(s) of Debtor(s)

By [signature] Signature(s) of Secured Party(ies)
SENIOR VICE - PRESIDENT

Dallas County, Texas Filing

(1) Filing Officer Copy — Numerical

STANDARD FORM—FORM UCC-3 (REV. 6-19-75) — APPROVED BY SECRETARY OF STATE OF TEXAS

THE ODEE COMPANY, DALLAS, TEXAS 75240

ACS/TRC DALLAS Doc: 000526630 Date: 03/11/1980 Vol: 0080052 Page: 00428 Page: 1 Of 9

QTY	DESCRIPTION
9	Fuji auto turret lathe, Mdl. FS Universal, S/N Mdl. FS Universal, S/N #6356, #6319, #6571, #6383, #6262
3	Fuji Mdl. FS Universal auto turret lathes #6330, #6164, #6272, #6216, #6249, #6132, #6550 (not operational)
1	Custom Built pneu. punches w/stamping head & foot control, Shop #12 w/attach.
1	1967-10 Nippon "Accurate" centerless grinder
1	1970 Tougami thread roll mach. Mdl. 1-R0615, #4236
1	Seny thread roll mach. Type mch. #D-50 #Fabrication 135 tension #220 volt
1	Seny thread roll mach. Type mch. #D-75-B Fabrication #235, Tension #220-440 volts (not operational)
1	DoAll 2 1/2" cont. belt sander w/steel table
1	wood work table w/swivel vise
1	36" shop fan
1	Seny thread roll mach. (not operational)
2	(wood) 2 dr. storage cabinets
1	steel H/D 2 dr. storage cabinet
1	Jo Block set "Fowler" [Wayne's Home]
lot	3 mikes, 1 dial caliper, asstd. snap gauges, thread gauges, go-no-go gauges & lesser inspection tools [Wayne's Home]
1	48" shop fan
3	lunch tables w/benches
2	window a/c
lot	approx. 45 ft. bus duct w/8 switches

80052 0429

Exhibit A

ACS/TRC DALLAS Doc: 000526630 Date: 03/11/1980 Vol: 0080052 Page: 00428 Page: 2 Of 9

DYNCORP 00769

QTY	DESCRIPTION
1	gas heater
1	Greenleaf 2 dr. H/D combo. safe
1	Cincinnati time clock w/2 racks
1	Reed Roll thread machine w/dies
1	lot misc. hand tools [Wayne's Home]
1	Blk. granite surface plate 4' x 3' x 6" w/H.D. steel leveling table (needs re-surfacing)
1	Clark hardness tester w/steel table, Mdl. C12A, Ser. #20624
1	Custom Built hyd. pull-tester w/H.D. steel table
1	Milles & Jones 1" cap. rod shear
1	Cardinal Mdl. XTD~4848-A2 platform scale, 2000 lb. cap. #26103 48" x 48" platform
1	Wheelabrator "Tumblast" drum size 27" x 37" #A70273 w/American Wheelabrator dust collecting system including blower above mach., dbl. hopper Dustube Dust collector #A94638 w/blower & duct work
1	E.W. Bliss "28" OBI punch press (OOHP2727) w/air cushion cam type w/foot control
1	Walsh "#38" OBI punch press (cam Type) w/foot control
1	Press Rite #30 OBI punch press, Cam type w/foot control
1	Chambersburg 600 lb. gear head board type drop hammer #1
1	Billings & Spencer belt driven board type drop hammer (2000 lb. cap) #REC-1547 w/new anvil plate and pins in process of being installed #2
1	Chambersburg belt driven board type drop hammer (1500 lb. cap) #1217-S2 #3
1	Chambersburg gear head (board type) drop hammer (3000 lb. cap) (good cond.) #597-L-9 #4
1	Kinefac Mdl. MC-5-F thread roll mach. #T-10077 (not operational)
1	Custom Built gas fired furnace, approx. (41" x 24" x 3' i.d.) w/American air blower & Maxon Premix gas blower
1	Custom Built gas fired furnace (approx. 6' x 4' x 3') w/North American blower

80052 0430

ACS/TRC DALLAS Doc: 000526630 Date: 03/11/1980 Vol: 0080052 Page: 00428 Page: 3 Of 9

DYNCORP 00770

QTY	DESCRIPTION
1	Custom Built gas fired furnace w/2 Maxon burners & gas blower, approx. 23" x 4' x 3' (needs repair)
1	Lindberg induction hearter including transformer station, control panel, generator (300 h.p.) G.E. (heat coil) tunnel 43" x 1-3/8"
1	Custom Built gas fired furnace, approx. 32" x 83" x 32" gas blower & air turbine blower
1	Toledo straight side punch press #32, S/N 1832
1	Zero "Blast-N-Peen" sandblaster Mdl. B-300-F cabinet type, Ser. #4212, approx. 24 x 42 x 24 i.d. cab. (at P.D.P.)
1	Kalamazoo Horiz-band-saw Ser #4478461
1	Buffalo Shear #57U6919 Size 7 BC
1	Pull Tester (MS3314)
1	I.R. air comp. Mdl. 253, (4 h.p.) Type 30, #353435, w/receiving tank
1	Magnaflux unit, Type H-710 mag. particle inspection mach. #67686 w/access.
1	Magnaflux demag unit type SB-1416T Ser. #67707 w/belt conveyor (mtr. & drive)
1	Steelman elec. bake oven 48" x 48" x 48" Mdl. 444E3P w/Partlow temp gage, Ser. #69116
1	Cadmium plating system including 2 rectifiers, 1 electro cleaning tank, w/2 heating elements, 1 heated rinse tank w/2 heating elements, 5 cool rinse tanks, 1 coated acid tank, 2 cadium coating tanks w/22 cab. ball racks & filter, bright dip tank (type 2), 1 spare tank, tank sizes - 6' x 4' x 3' i.d. & common catwalk considered
1	air compressor w/20 h.p. mtr. & rec. tank
1	hyd. pallet jack approx. 1500 lb. cap.
1	oxy/acy torch set w/cart
1	ped. drill
lot	tool room items including: mtl. table, & vise, work table, asstd. metal shelves or cabinets, adj. stands
5	ped. fans

80052 0431

ACS/TRC DALLAS Doc: 000526630 Date: 03/11/1980 Vol: 0080052 Page: 00428 Page: 4 Of 9

DYNCORP 00771

QTY	DESCRIPTION
1	alum. step ladder
2	blowers w/approx. 5 h.p. mtrs.
1	black granite surface plate 24" x 18" w/mtl. stand (needs re-surfacing) (poor condition)
1	Welder (P.D.P.)
3	sets of MK 14 Forging Dies at Spainhour's
1	set of MK 14 Forging Dies at Okaw
5	asstd. plating racks (for dip parts)
1	H.D. steel rack used for punch press dies & drop hammer parts
1	Roura (forklift type) dumpster
1	Industrial filter & pump unit Type CAH 1, Ser. #1505
1	alum. ext. ladder
Various	port. utility carts for in-process handling
lot	60' bus duct w/13 switches
1	James Biddle Thermocouple Temp-Millivolt TC-Potentiometer
1	Diagraph stencil mach. Mdl. GG-S-747, letter size 1/2"
1	metal typing desk
2	Hon 4 dwr. legal file w/lock
2	black uph. s/a chairs
5	asstd. 4 dwr. legal files (acg.)
1	4 dwr. letter file w/lock
1	mtl. exec. desk
1	brown uph. s/a swivel chair
1	brown uph. s/a chair
1	Dukane microfilm reader
1	port. utility cart
1	decor. wall clock c/c
2	yellow uph. side chairs

VOL
80052 0432

Exhibit A-4

ACS/TRC DALLAS Doc: 000526630 Date: 03/11/1980 Vol: 0080052 Page: 00428 Page: 5 Of 9

DYNCORP 00772

QTY	DESCRIPTION
2	Oxford open top port. file, 2 legal & 1 letter (avg.)
1	Exhaust Fan 2 1/4 h.p. motor
1	walnut L-shaped recept. desk
1	IBM elec. typewriter, #1570621
1	walnut overhang executive desk
4	black uph. s/a swivel chairs
1	Paymaster check writer
2	ledger trays
5	asstd. fire ext.
1	walnut credenza
2	gas heaters
1	metal overhang exec. desk w/credenza
3	chalk boards
1	Hanson postal scale
1	window a/c Catalina
1	ref. water coller
1	1970 Chev. C/30 1-Ton Straight Bed Truck
1	SMC 142-B Copier ser #1644680
1	100# Homs scale
1	Coke "Can" Dispenser Ser. #103251
1	Hyster Fork Lift 5000#
1	Ped. 1HP Grinder

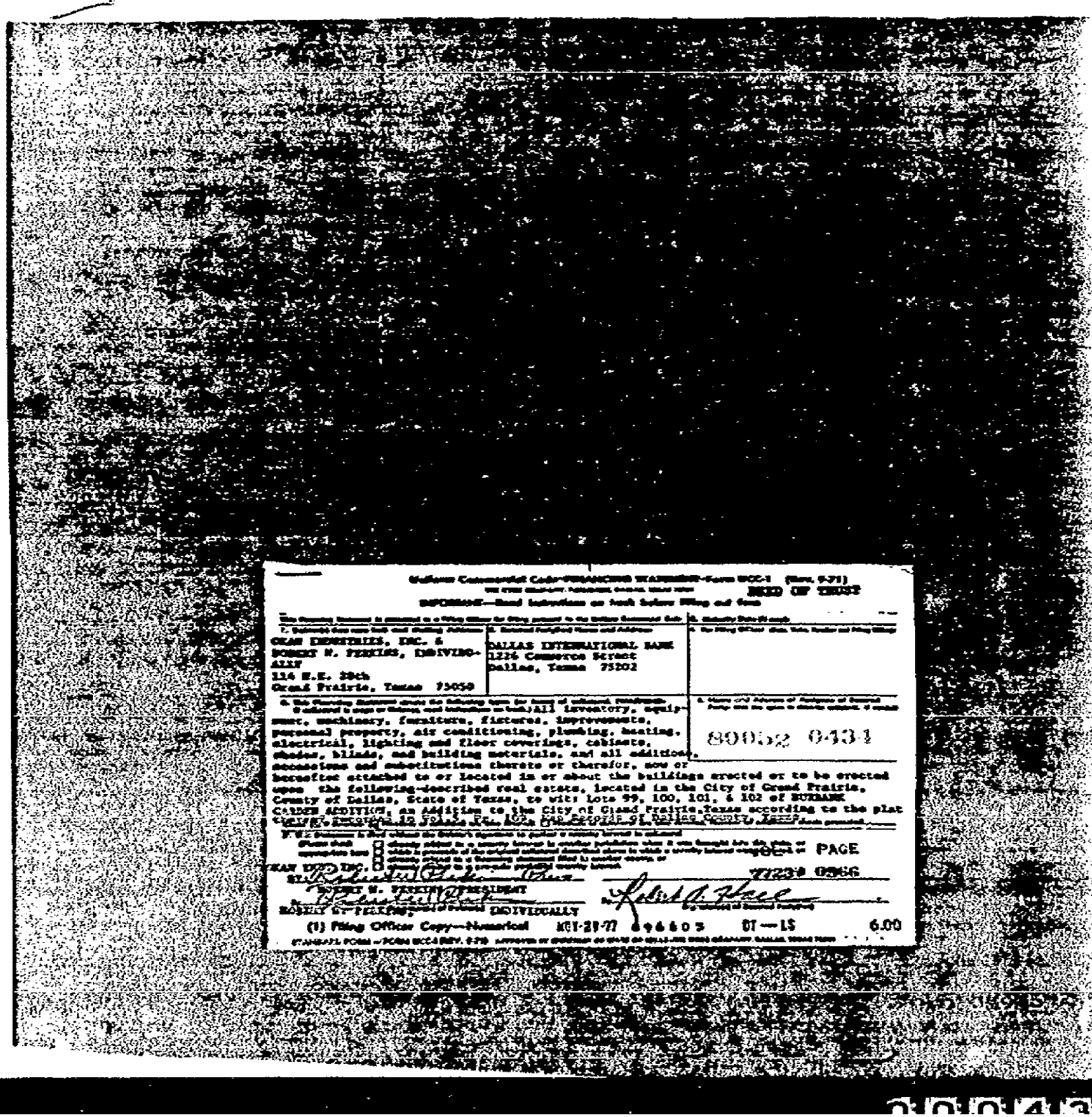
and all other machinery, equipment, shop drawings or shop designs, dies, tools, furniture, fixtures, improvements, air conditioning and heating equipment, plumbing equipment, located on the following described real property, located in Grand Prairie, Dallas County, Texas, to wit:

Lots 99, 100, 101 and 102 of BURBANK GARDEN ADDITION, an Addition to the City of Grand Prairie, Texas, according to the plat thereof recorded in Vol 15, Page 109 Map Records of Dallas County, Texas.

80052 0433

ACS/TRC DALLAS Doc: 000526630 Date: 03/11/1980 Vol: 0080052 Page: 00428 Page: 6 Of 9

DYNCORP 00773



Uniform Commercial Code-FINANCING STATEMENT-Form UCC-1 (Rev. 9-71)

IMPORTANT—Read instructions on back before filing and form

1. Debtor(s) (last name first) and mailing address(es) GRAN ENTERPRIZES, INC. & ROBERT H. PERKINS, INDIVIDUALLY 114 N.E. 28th Grand Prairie, Texas 75050	2. Secured party(ies) name and address DALLAS INTERNATIONAL BANK 1234 Commerce Street Dallas, Texas 75202	3. For filing officer (date, time, number and filing office)

4. This financing statement covers the following types (or items) of collateral, (including all inventory, equipment, machinery, furniture, fixtures, improvements, personal property, air conditioning, plumbing, heating, electrical, lighting and floor coverings, cabinets, shades, blinds, and building materials, and all additions, accessions and substitutions thereto or therefor, now or hereafter attached to or located in or about the buildings erected or to be erected upon the following-described real estate, located in the City of Grand Prairie, County of Dallas, State of Texas, to wit: Lots 99, 100, 101, & 102 of BURBANK GARDEN ADDITION, an Addition to the City of Grand Prairie, Texas according to the plat thereof recorded in Volume [illegible] Page [illegible] of the Deed Records of Dallas County, Texas

5. Assignee of Secured Party and address

6. Maturity date (if any)

80052 0431

7. This statement is filed without the Debtor's signature to perfect a security interest in collateral

☐ already subject to a security interest in another jurisdiction when it was brought into this state, or which is proceeds of the original collateral described above in which a security interest was perfected

☐ already covered by a financing statement filed in another county, or

☐ as to which the filing has lapsed.

GRAN ENTERPRIZES, INC.

By: Robert H. Perkins, President

ROBERT H. PERKINS, INDIVIDUALLY

By: Robert A. Hall

8. (Signature of Debtor required for filing)

(1) Filing Officer Copy—Numerical

FILED
1977 MAR 21 AM 8:05
DALLAS COUNTY, TEXAS

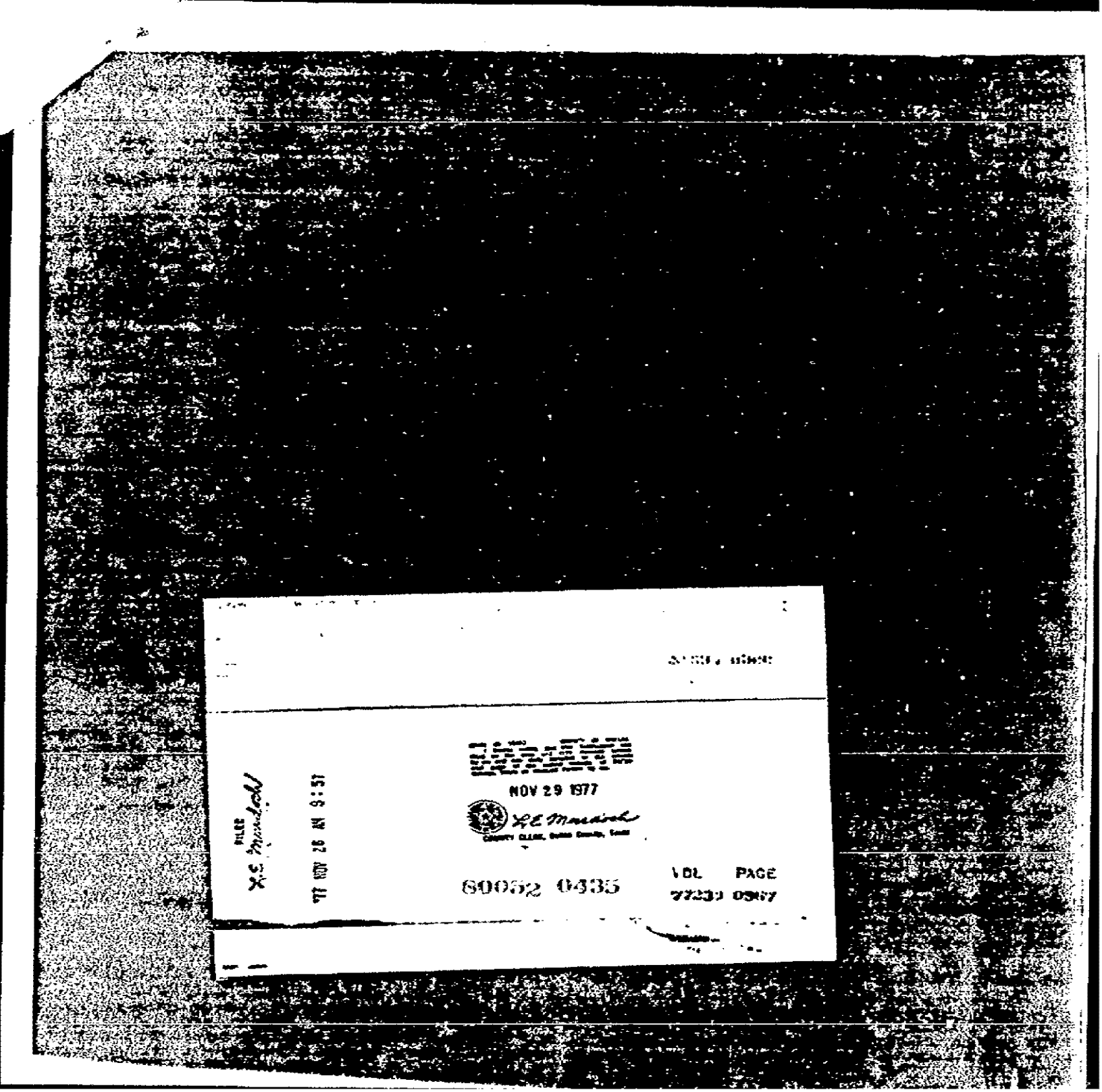
PAGE 7723 0966

MAR 21-77 094605 DT—LS 6.00

STANDARD FORM—FORM UCC-1 (REV. 9-71) APPROVED BY SECRETARY OF STATE AND DALLAS COUNTY CLERK, DALLAS, TEXAS

ACS/TRC DALLAS Doc: 000526630 Date: 03/11/1980 Vol: 0080052 Page: 00428 Page: 7 Of 9

DYNCORP 00774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80052 0335
VOL PAGE

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'80 MAR 11 PM 12 : 48

STATE OF TEXAS COUNTY OF DALLAS

I hereby certify that this instrument was filed on the date and time stamped hereon by me and was duly recorded in the volume and page of the named records of Dallas County, Texas as stamped hereon by me.

MAR 13 1980

COUNTY CLERK, Dallas County, Texas

80052 0436